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UNITED STATES

U.S. Trade Policy Deemed 'Not Protectionist'

94CM0098A Beijing MEIGUO YANJIU [AMERICAN STUDIES] in Chinese No 3, 5 Sep 93 pp 32-52

[Article by Zhang Jian: "Trend of U.S. Trade Policy in the 1990s"]

[Excerpts] I believe that the major trend of the trade policy of the Clinton administration is not protectionist, although it has a strong protectionist flavor and some protectionist ingredients in many areas. It should be realized that there is a difference in principle between the "fair trade" promoted by the Clinton administration and trade protectionism. They are absolutely not the same. "Trade protectionism" is to erect tariff or non-tariff barriers on the U.S. market to prevent foreign goods from entering the market to achieve the goal of protecting the American domestic market. To promote "fair trade" is to ask U.S. trade partners to open up their markets to U.S. goods and provide U.S. goods with an equal opportunity to enter foreign markets while keeping the U.S. market open for merchandise from other countries. It seeks to open up the closed markets of other countries and expand the scope of free trade instead of sealing up the U.S. market. Therefore, "fair trade," the purpose of the trade policy of the Clinton administration, is definitely not a facade of trade protectionism just like what some people believe. In essence, it is even closer to the principle of free trade instead of the principle of trade protectionism.

When we talk about "fair trade," one of the questions that we have to answer is: Does the principle of reciprocity demanded by those who promote "fair trade" run counter to the basic principle of free trade? Another question is: Since the United States promotes free trade, should it still follow the principle of reciprocity? Many theoreticians believe that the principle of reciprocity is incompatible with the principle of free trade. Since the Clinton administration emphasizes the principle of reciprocity (I open up my market to you, you should also open up your market to me), it has given up the principle of free trade. I think that this kind of inference is over-simplified. In general, the principle of reciprocity emphasized by the Clinton administration in its "fair trade" policy has not violated the basic principle of free trade. It is perhaps better to say that this is precisely what free trade is about. In essence, the principle of reciprocity is the principle of equality and mutual benefits. It demands that trade partners on both sides enjoy equal status and equal rights in their trade activities, and that both sides reap benefits. This is precisely what free trade demands and stands for. Trade activities cannot last very long, if they are not built on the basis of equality and mutual benefits. It is reasonable for a sovereign state such as the United States to demand that trade partners should share equal benefits and obligations in doing international trading. This is not an excessive demand. As far as the contents of its demands are concerned, they

are also not something of a protectionist nature. Naturally, they also differ from the completely unconditional free trade policy which the United States had promoted for a considerably long period after the War. Relying on its absolutely predominant economic position in the world between the end of the War and the 1970s, the United States had implemented an unconditional policy for free trade, and set the example for other nations in taking the road of free trade. During this period, the speed and extent of the U.S. open market had greatly exceeded other nations. The United States had not strongly demanded that other nations open their markets the way the United States did, because its products which were extremely competitive could easily enter and seize the markets of other nations. What the United States promoted during that period was a one-way unconditional free trade policy. It is somewhat of a "preferential" nature. To a considerably great extent, the United States "tolerated" the unfair trade which foreign nations imposed on the United States. After the 1970s, Europe and Japan have rapidly caught up. The U.S. absolute predominance no longer exists. The United States has lost its position of strength in carrying out one-way unconditional free trade policy. Therefore, beginning from the 1980s, it has called for "free and fair trade," keeping the U.S. market open, while asking other nations to open up their markets in the same way. In despite of the fact that the proposal of "fair trade" signifies the relatively weak U.S. economic position in the world, it has not weakened to the extent of erecting a trade barrier and practicing protectionism in an overall manner. The United States still has the strength to uphold free and open trade policy. The principle of "reciprocity" stressed by the Clinton administration means to eliminate, not erect trade barriers. It is aimed at mutually opening, not closing markets to each other. What the Clinton administration demands does not run counter to the principle of free trade. It is a two-way, conditional free trade policy. In despite of the fact that it is no longer a totally unconditional free trade policy, it still falls within the major scope of doing free trade. We should not brand such policy as protectionist.

The major trend of the trade policy of the Clinton administration is free trade, not protectionism. Nevertheless, it is not because Clinton favors free trade, while detesting protectionism. The objective situation has made him do so. The objective conditions at home and abroad which have made the Clinton administration oppose trade protectionism and uphold free trade are as follows:

I. Demand for Global Economic Integration

Right now, global economic integration has reached a high degree. The world economy has become an entity of interrelation, interaction and mutual reliance. A single country cannot possibly separate itself from the world economy and operate on its own. A free, open international trading system is an indispensable condition for the smooth economic operation of the United States. This is precisely why the United States must implement

a free, open trade policy. The Clinton administration also clearly understands that trade protectionism is a double-edged sword, which may harm its trade partners and finally hurt itself. Protectionism will only escalate the trade war. As the largest trading nation, the United States will bear the brunt and suffer the greatest damage when a global trade war breaks out.

II. United States Still Has Economic Strength in Carrying Out Open Trade Policy

Under the new world economic situation, the United States still has the economic strength needed to implement an open trade policy, despite the rise of Japan and Germany, which has weakened the U.S. economic position in the world. The U.S. leading role in world economy and its potential to maintain this leading role in the foreseeable future constitute the foundation of the Clinton administration in upholding free trade policy. In particular, we must point out that the United States possesses the greatest ability in carrying out scientific research, developing technology, and blazing new trails in the field of economy. This is of great significance in an era in which science and technology constitute the primary productive force. It is the basic advantage of U.S. economy. It is closely related with the unique U.S. social and historic conditions (social diversity, competitiveness, openness and mobility). No other nation has this kind advantage. Right now, the United States is way ahead of other nations in the world in terms of labor productivity, which plays an important role in becoming competitive in world economy. In the global competition for high technology which affects the future of the world economy, the United States is also predominant. We should also realize that the advent of the information society and the post industrial era has further strengthened, not weakened, the dominant position of the United States. It has provided the United States with even more favorable conditions than other nations, because the present economic competition in the world is one of science and technology, one of blazing new trails, one of intellectual resources and qualified and trained personnel. The United States is strong in all these realms.

From the development of an international trade point of view, the share of the trade of products (visible trade) drops, while the trade of services (invisible trade) is rapidly rising. This situation is compatible with the development of the information society. The dominant position of the United States in international competition is more distinct in those fields which are closely connected with the new technological revolution, such as the realms of intellectual property rights, service trades, technical transfer and international investments. This predominance has demonstrated tremendous potentials in the 1990s when the era of information society and soft economy is rapidly approaching. This is precisely what the Clinton administration keeps in mind and expects in upholding its free trade policy.

III. The United States Has Improved Its Situation in Foreign Trade; It Is Not Weak or Uncompetitive

U.S. Foreign Trade Situation in Past Decade

| Year | Total Volume of Imports | Total Volume of Exports | Deficit in Foreign Trade | Share Deficit in GDP |
|------|-------------------------|-------------------------|--------------------------|----------------------|
| 1983 | 2017 | 2689 | 671 | 1.9 percent |
| 1984 | 2199 | 3324 | 1142 | 3 percent |
| 1985 | 2159 | 3300 | 1221 | 3 percent |
| 1986 | 2233 | 3684 | 1450 | 3.4 percent |
| 1987 | 2502 | 4097 | 1596 | 3.5 percent |
| 1988 | 3202 | 4471 | 1270 | 2.6 percent |
| 1989 | 3617 | 4774 | 1157 | 2.2 percent |
| 1990 | 3887 | 4976 | 1089 | 2 percent |
| 1991 | 4160 | 4897 | 734 | 1.3 percent |
| 1992 | 5325 | 4482 | 843 | 1.3 percent |

Source of reference: Economic Indicators January 1993

Many theoreticians regard the tremendous amount of trade deficit that the United States had since the 1980s as important evidence for the inevitable protectionist trend in formulating its foreign trade policy. Their deduction is that the tremendous amount of trade deficit totaling tens or hundreds of billion U.S. dollars shows the increasingly deteriorating U.S. situation in foreign trade and its weakness in meeting world competition and that only by relying on this "straw" of protectionism, will it be possible to reverse this trend. Is this deduction correct? It will be very clear if we earnestly and realistically analyze the actual situation in U.S. foreign trade during the past decade.

From the aforementioned reference material, we realize that in the mid-1980's the U.S. foreign trade situation had seriously deteriorated with the trade deficit rapidly increasing. The trade deficit reached a peak of \$159.6 billion in 1987. The U.S. foreign trade situation has improved since 1988 with its rate of growth in exports increasing, the rate of growth in imports decreasing, and its trade deficit continuously dropping with the exception of one single year. (The trade deficit in 1992 was greater than that in 1991, mainly because the economic depression in Japan and Germany had affected U.S. exports.) The share of its trade deficit in the Gross Domestic Product (GDP) decreased every year. The actual situation indicates that the U.S. foreign trade situation has improved, not deteriorated, since the late 1980s. Despite the fact that its trade deficit still amounts to tens of billions of U.S. dollars in recent years, it only accounts for 1.3 percent of its GDP. With its huge GDP which exceeds \$6,000 billion, the United States is still able to withstand such a trade deficit. From this, we can see the kind of arguments saying that the situation in U.S. trade is deteriorating in each passing day, that the United States is too weak in foreign trade to meet world

competition and that only by relying on protectionism can it manage to support itself, are unrealistic. In fact, the U.S. situation in foreign trade confronting the Clinton administration is less grim than that during the days of the Reagan and Bush administrations. Therefore, there is no need to risk everything and implement the extreme policy of trade protectionism which may play the role of a double-edged sword.

It is precisely this kind of objective economic situation that decides the orientation of the foreign trade policy of the Clinton administration, makes the administration follow general trends of free trade, and prevents it from taking the wrong road of trade protectionism in despite of the fact that the Clinton administration exhibits a more distinctive protectionist color than the Bush administration.

By analyzing all aspects in breadth and depth, we have studied the nature and the basic trend of the trade policy of the Clinton administration. Our conclusion is that instead of being protectionist, the trade policy of the Clinton administration closely follows the basic principle of free trade. There is a difference in principle between protectionism and the "fair trade" which is the purpose of the trade policy of the Clinton administration. The trade policy of the Clinton administration is closer to the principle of free trade than that of protectionism. We like to point out that we are only talking about the basic nature and the major trend of the trade policy of the Clinton administration. We do not want to deny the fact that such trade policy is imbued with protectionist ingredients. In fact, the trade policy of the Clinton administration is tainted with a deep protectionist color and composed of many protectionist components. These protectionist components are mainly manifested as follows:

The Clinton administration seems to make more direct protectionist means to deal with the "unfair trade

actions" of its trade partners. For example, its "war of steel" with Japan and the European Community was an action it took to greatly increase its import duties to sanction their dumping activities. It also tried to increase its government subsidy to wage an "aircraft war" with the European Economic Community. Particularly it had time and again talked about its intention to even more strictly implement its "quota system for imports," asked its trade partners to exercise "self-restraint" and imposed excessively high sanitary and environmental standards on them. All these are typical trade protectionist measures, because all of them are used to prevent and restrict foreign goods from entering the U.S. market.

Therefore, when we say that the major trend of Clinton's trade policy upholds free trade, we absolutely do not imply that it has no protectionist ingredients at all. To deny or cover up this "negative" aspect of the trade policy of the Clinton administration is an equally unrealistic analysis. In short, we must, on the one hand, understand that the basic nature and major trend of the trade policy of the Clinton administration follows the principle of free trade, while on the other hand we must also realize that such policy of the Clinton administration is tainted with more protectionist color and composed of more protectionist ingredients, and that it adopts an even more uncompromising stand in foreign trade. From an overall point of view, the Clinton administration may uphold the free trade policy under general conditions. In certain realms (such as automobile, textile and steel industries) and under certain conditions (especially conditions which will deeply affect labor employment), it may also adopt some protectionist measures. Only by seeing these two aspects of the trade policy of the Clinton administration and realizing that such policy has dual characteristics (naturally one is primary, while the other secondary), will it be possible for us to completely and accurately understand the trend of U.S. trade policy in the 1990s. [passage omitted]

Tang Emperor Metaphor for Deng Xiaoping

94CM0075A Hong Kong CHENG MING

[CONTENDING] in Chinese No 193, 1 Nov 93 pp 46-47

[Article by Ho Chia (6320 0163): "Historical Metaphor of the TV Play 'The Tang Ming Emperor'"—first paragraph is introduction]

[Text] Although Tang Xuanzhong, the "general designer of opening up and reform" in the Tang Dynasty, created what history calls an "unprecedented era of prosperity," his absolute power ultimately led to the absolute corruption of society and of the autocrat himself. Regardless of how prosperous the times, they can change to troubled times because of absolute corruption, which produces what Du Fu's historical pen described as the tragedy of the nation breaking up, and the people's being subjugated.

After more than 14 years in prison, Wei Jingsheng [7614 0079 3932] has just been released on parole. The reason for his sentence was that he raised a self-evident truth: An autocracy can only hatch a new autocrat under the autocracy, just as an egg can only hatch chickens; if China does not realize the fifth modernization—democracy—Deng Xiaoping will have been an autocrat, identical to Mao Zedong. Therefore, Wei Jingsheng was jailed by Deng Xiaoping's "imperial edict," but his subject is something which people seek continuously to prove.

People Associate Tang Xuanzhong With Deng Xiaoping

Recently, mainland Chinese television carried a lengthy series titled "The Tang Ming Emperor," an exquisite, big-budget production. In addition to being on mainland TV, this series was also released on video tape, bringing to the Chinese community worldwide its story of what happened over 1,200 years ago. Although Tang Xuanzhong, the Tang Dynasty's "general designer of opening and reform" had created an historical era of so-called "unprecedented prosperity," his absolute power still led to absolute corruption of society and of the autocrat himself. So regardless of what kind of prosperous era it was, there was a change overnight to troubled times due to absolute corruption, with the result being the tragedy recorded by the historical pen of Du Fu: The nation disintegrated and was subjugated by others.

It could be that the director Chen Jialin [7115 1367 2651] and the playwrights Zhang Xian [1728 1720] and Ye Nan [0673 2809] were not originally motivated to "borrow the past to satirize the present"; however, looking at the conclusion of the series, it does objectively have that effect—relating the tales of history to let people make comparisons with the subject of Wei Jingsheng.

Forty-four years after the death of the Tang Ming Emperor, Bai Juyi wrote the epic poem "eternal regret." At the end of the poem, Tang Xuanzhong dies in sorrow due to his longing for the concubine Yang, who had been forced to die: "Heaven and earth have an end, but this regret is endless." Bai Juyi was a contemporary poet, so

his description of Tang Xuanzhong's feelings before his death should be credible. Logically, the ending of "The Tang Ming Emperor" need only adapt Bai Juyi's poem to the TV screen, which would have been both easy and good, as well as having a romantic artistic sense. However, the director and the playwrights purposely ignored Tang Xuanzhong's passion and grief over his lost concubine Yang; rather, they purposely exercised their imaginations to express how much Tang Xuanzhong missed his lost imperial power, his reluctance to be alone, his attempts to summon his former officials, to see his people, and his dreams of one day regaining imperial power. Even when his situation was completely hopeless, he would still sit on his abandoned imperial chair, dreaming of accepting the adoration of his officials and subjects, clinging with all his might to the symbols of the highest imperial power. When Chinese people view this TV production, so widely divergent from Bai Juyi's poem, how can they not call to mind the reality that Deng Xiaoping, a "common party member," still holds the highest power in the Communist Party? Absolute power is absolutely attractive, so it produces what Wei Jingsheng tried to prove; i.e., that an autocracy must produce an autocrat.

Rapid Rise of Reform Under Autocracy

"The Tang Ming Emperor" expresses the idea that Tang Xuanzhong Li Longji was, in conducting "opening and reform" through perceptual knowledge, the most brilliant of the more than 400 emperors in China's history. In the process of viewing this show, Chinese people will naturally make associations and comparisons, forming a hazy proof of reality.

When Li Longji first ascended the throne, he immediately reformed the bad government left over from the harsh regime of Wu Zetian, which had not been reformed by Zhong Zong and Rui Zong. In these actions, he was extraordinarily open and brilliant. He favored equality under the laws whereby "the son of the emperor should receive the same sentence as a commoner should he violate the law." He diluted the special privileges of the imperial family. He dealt strictly with the "politics of exchanging money for power" by which official positions could be purchased. He advocated a society of coexisting multiple theologies; one in which his subjects could freely choose Daoism, Confucianism, or even the outside religions of Buddhism and Islam, without the "ideological violence" that comes with a single sanctioned religion. His economic policy was one of "opening to the outside," where each of the Western nations had a flourishing commercial trade with the Great Tang. He was so open that he even permitted foreigners (such as the Japanese Abe Nakamaro) to be officers in the imperial government. He was opposed to witchcraft, paid attention to science, used the imperial military forces to destroy locusts, ordered the making of a new calendar, and promoted water conservancy projects; thus, science and technology were very advanced. He opposed the policy begun in the Qin Dynasty of stressing agriculture while ignoring commerce. Rather, he implemented the

"economic freedom" of agriculture and commerce developing together, reformed and carried out new policies so that throughout the country emerged the boom era of "flourishing markets" and "the nation strong and the people rich." He paid considerable attention to "intellectuals," established an academy of classical learning, and invited people of talent from throughout the world to Chang'an, bestowing upon them very high wages and social position, making China one of the world's leading nations in the humanities and in science and technology.

Through economic and cultural (but not political) reforms, Tang Xuanzhong indeed lifted the Tang up to an extremely high level of prosperity, producing as many talented people as there were stars in the sky. Tang poetry was the pinnacle of ancient Chinese poetry, while the poetry of Tang Xuanzhong was the zenith of Tang poetry. The so-called "poetry immortals" of history—Li Bai, the "Saint of Poetry" Du Fu, and the "Buddhist Poet" Wang Wei, etc.—all appeared in the Tang Dynasty. In addition, there were such masters in the history of poetry as Zhang Yue, He Zhizhang, Zhang Jiuling, Meng Haoran, Gao Shi, Chui Jin, and Wang Changling. Wu Daozhi, referred to in history as the "Saint of Painting," was Tang Xuanzhong's royal court painter. Both the great calligrapher Zhang Xu, famed for his cursive hand, and the calligrapher Yan Zhengqing, who created the "Yan style," displayed their talents in the Tang Xuanzhong era. The major Chinese composer Li Gui, who had a voluminous output of vocal music, dancing music, and instrumental music, was a royal court musician, while the Tang Ming Emperor himself was a player and composer. Tang Xuanzhong created theater (by absorbing a great many dances from Western regions), which set a precedent for Chinese dance. There were such major dancers as Lady Gong Shun who was adept at wielding the sword, as well as the sword player Fei Weng. At that time, Fei Weng's sword dance, Li Bai's poetry, and Zhang Xu's cursive hand were called "the three peaks of perfection." Among religious specialists, there was the great monk Jian Zhen, who traveled east to Japan and established Japanese Ritsu....

There can be accomplishments in reform under an autocracy, even great accomplishments. It does not matter whether one is speaking of "Weng Jin's reform" or "Zhen Guan's reform" in Chinese history, or even the second imperial regime of Napoleon the 3rd in the period following the great French Revolution. The latter saw the great achievement of completing the industrial revolution in France, making France the world's second great industrial nation, in which there were such literary stars as Hugo and Flaubert, and such great impressionist artists as Monet, Degas, Manet, Renoir, Cezanne, and Pissarro, the founders of modern painting. Associating with Deng Xiaoping in today's China, although his reform achievements cannot be placed on a par with Tang Xuanzhong's "unprecedented era" of boom, it is in degree several figures higher when compared with the Mao Zedong era. In addition, the pace of economic growth over the past

several years has caused the Western nations, which have been in a state of decline, to treat China with increased respect. Like the Tang Ming Emperor, Deng Xiaoping has carried out reform only in the economy, not in the "imperial regime." Achievements have obviously been possible, even great achievements.

However, all the boom eras under autocracies in this world have the same special features—like a rising balloon, the faster it ascends, the faster it will break. "The Emperor's achievements" will not last five generations but will frequently collapse in "his own era."

"Rapidly Endangered Syndrome" of Reform Conducted by an Autocrat

Comparing Deng Xiaoping with the Tang Ming Emperor, we find that reform under an autocracy has a "rapidly endangered syndrome" with the following symptoms:

Corruption. Absolute power must accelerate in a boom era, leading to corruption of the autocrat himself or his governing group. Tang Xuanzhong began by corrupting himself. He indulged in women and song and, especially after he obtained the concubine Yang, he indulged in "night life" to the point of not going to the "imperial court to attend to the nation's business." In addition, when a man made it to the top, all his friends and relatives made it there with him. This put his uncle Yang Guozhong in power, and with this relative running things the entire imperial court was soon corrupted. An era of boom collapsed in the "Anshi chaos." Although there is nothing about Deng Xiaoping which compares to the personal corruption of Tang Xuanzhong or Mao Zedong, the Communist regime, its absolute power unrestricted by a division of powers and a legal system, must corrupt rapidly like the imperial regime of the Tang Ming Emperor. In the 1980s, Deng Xiaoping promised that, "Even though we risk being shot by people who hide in the dark, we will attack economic crimes to the end, and no matter who is discovered, we must punish them by the law." The result was that even Hu Shiying [5170 4258 5391], the son of Hu Qiaomu [5170 0829 2606], was arrested for committing fraud then released, arrested again, and finally released again after pressure from all sides. For other cases, it also is that the law cannot touch many people, "there are no results." Now, corruption has led to complaints from people everywhere. Jiang Zemin has conducted an anti-corruption campaign on his own, trying to save a dangerous situation. While it is an incurable disease caused by absolute power, no one can effect a miraculous cure and bring the dying back to life.

Old and useless powers. Imperial power is a lifelong system. When the Tang Ming Emperor was 70 years old, and the An Lushan rebellion broke out, he lacked the talent and strategy that he had in his youth when he rooted out the power grabs of Queen Wei and the Princess Taiping. He made many mistakes as a military

commander, which caused the losses of Tongguan and Changan. So also with Deng Xiaoping: When he had just regained power, he had a complete doctrine of reform, but later violated it completely by such actions as abandoning Hu Yaobang and Zhao Ziyang, imprisoning Wei Jingsheng, carrying out a system of power for life in total disregard of the law, and the "4 June" incident. Today, he is close to 90, yet still holds absolute power. This presents 1.2 billion Chinese with a self-evident truth concerning the old and useless—when anyone enters old age, they enter an unchangeable process of decreasing talent until they lose their capabilities completely, the final stage of life. The wages of old and useless power is often manifested in the exercise of power by relatives of the royal court, eunuchs, secretaries, and children. This sort of illegal power-wielding stems from extreme greed, usually the source of the most dangerous disorder.

Violent change. For talented people, no matter if they be in or out of government, there is a feeling of helplessness when confronted with a situation of social corruption and treacherous court officials in power, because the autocrat's power is for life. Moreover, there are no means of correcting the autocrat's mistakes, such as in a democratic political system. Therefore, the only recourse is to wait for the corrupt autocrat's death, or carry out a palace coup and social rebellion in order to accomplish a violent change in power. Doing it this way means that society must pay an extremely high price, with the immediate destruction of an era of prosperity built up through painstaking efforts.

"Tang Ming Emperor" 's Warning

The "rapidly endangered syndrome" that "The Tang Ming Emperor" warns of is: We are now 1,200 years removed from Tang Xuanzhong, and for 200 years there has existed in the world a modern democratic political system which can cure the absolute power syndrome. How then can the Chinese still stupidly await the "new autocrat" who will bring us good fortune? Even the most brilliant autocrat, who carries out reform and operates the whole era of boom, will also be like a rapidly rising balloon which will quickly burst; how can we take a political mirage as our future? Reform under absolute power is absolutely unreliable!

More On Mao Zedong's Breakthroughs, Tragedies
94CM0110A Beijing XUEXI YU YANJIU [STUDY
AND RESEARCH] in Chinese Nos 23, 24; 1, 15 Dec 93

[Article by Lu Zhichao (4151 0037 6389) and responsible editor Liu Xing (0491 1041): "Mao Zedong's Three Great Breakthroughs, Three Great Tragedies"]

[1 Dec pp 18-21]

[Text] The Second Breakthrough and Tragedy: On Contradictions Among the People and the "Double Hundred" (Let a Hundred Flowers Blossom and a Hundred Schools of Thought Contend) Policy

The purpose of socialism is to tackle economic construction, develop social productive forces, and make society prosper and flourish across the board. This lies at the heart of socialist construction. At the same time, it is inherent in socialism to develop socialist democracy in national life and social life, protect the democratic rights and freedom of the people, and promote science and culture. As with the Chinese socialist construction road he pioneered on the economic front, the string of theories and policies advanced by Mao Zedong about contradictions among the people and the "double hundred" policy as well as his vision of a lively dynamic political scene indeed constituted another great breakthrough in socialism. This breakthrough dispelled the clouds that had been hanging over socialism in the wake of the revelations about Stalin and brought forth the new look of and new development prospects for a socialist society. A brave new world beckoned. After Mao Zedong put forward these theories and policies, the whole party and the entire population, now energized, worked hard to put them into effect. Regrettably, things did not turn out as originally envisaged. Once again, there were serious setbacks and failures mainly because Mao Zedong himself violated the very theories and policies he had put forward. First came the rightist offensive of 1957. Subsequently, the anti-rightist campaign widened. After the failure of the Great Leap Forward mentioned above, internal dissensions appeared in the party, followed by the struggle at Lushan conference. Legitimate opinions and correct proposals within the party were labelled rightist opposition and wrongly criticized. Worse, this kind of internal party dispute was characterized as serious class struggle, the continuation of the life-and-death struggle between the proletariat and the bourgeoisie. As domestic contradictions multiplied and the international situation changed, particularly as tension rose between China and the Soviet Union and changes unfolded within the Communist Party of the Soviet Union (CPSU), all these theories and ideas were increasingly shunted aside by the erroneous theory of taking class struggle as the key link between the 10th Plenum of the 8th CPC Central Committee in 1962 and the Cultural Revolution. In his waning years, many of Mao Zedong's ideas and theories, whether they be correctly handling contradictions among the people, the "double hundred" policy, or creating a lively dynamic political scene, had ceased to exist in fact. We cannot but regard this as a profound tragedy for Mao Zedong and even the entire nation.

It is not only theoretically but also practically significant to analyze the reasons why such innovative theories and policies were not carried through but turned out to be disappointments, failures, and tragedies, and the lessons to be learned therefrom. Needless to say, this analytical exercise would be just as complex and difficult as the one above involving the economy. What follows is a preliminary analytical attempt.

The issue can be analyzed at two levels.

At the first level are the direct reasons that prevented Mao Zedong from persevering in the policies and theories he had advanced and the lessons we can draw therefrom. The reasons can be divided into two categories at least.

The first category has to do with institutional and legal construction. Mao Zedong espoused his theory of contradictions among the people and the "double hundred" policy essentially on the theoretical plane. He explained them and propagated them inside and outside the party. In addition, party and government cadres at all levels were required to follow them ideologically, as a method of leadership, and as a style of leadership. However, he neglected to institutionalize them or write them into law. Nor was there enough time to do so. He overlooked institutional and legal construction for the party and the state and failed to ensure their survival by making them part of the institutions and writing them into law, which had greater restraining force and was more stable. The distinction between contradictions among the people and contradictions between ourselves and the enemy was a political concept. This demand and some general standards were not sufficient. Appropriate legal limits should have been set to ensure that the distinction was not obscured. The people should have freedom of speech, freedom of the press, freedom of scientific, artistic, and literary creation, and even the freedom to demonstrate and hold rallies as a way of expressing themselves. However, they must show discipline. In exercising their personal freedom, they must not hurt social and national interests, disturb social order, or interfere with the freedom of another individual. All these principles should have been translated into detailed rules and regulations to make up part of the legal system. We could not afford anarchy if we were to fully exercise democracy, ensure the people's democratic rights, and achieve centralization on the basis of democracy. This demand should be made part of the democratic order and democratic procedures and be legally protected. Only thus could we eliminate arbitrariness and avoid the kind of change brought about by a change in leadership or by a change in the priorities of a leader. This, however, was not fully appreciated and emphasized by Mao Zedong at the time. He set great store by the leadership of the communist party and the socialist road, which he considered essential to implementing the various correct principles he had put forward. Yet he failed to see that now that the CPC had become the ruling party and the leading force of the national regime practicing people's democracy, actions should be taken as soon as possible to ensure the stability of the regime through legal construction and ward off any disruption and damage from all quarters, including the leadership itself. At the time socialist transformation was still in its infancy and society as a whole was still in a state of flux. To institutionalize and write into law a string of policies and theories regarding contradictions among the people and the "double hundred" policy indeed would have presented some practical difficulties. The reason is that institutionalization and legalization required a relatively stable order and considerable experience. At a minimum, however, the importance of institutionalization and legalization should have been fully appreciated, which would have served as the starting point of an earnest effort in that direction. Unfortunately, Mao Zedong overlooked this point. The entire party,

including most leaders at the top echelon, were equally ignorant. Thus seeds of trouble were sown, leading to the arbitrary changes in later years of many correct theories, policies, and measures.

Then there were methodical errors. Campaigns and criticisms in the mass-movement mold were used instead of gentle and persuasive ideological education and discussions emphasizing reasoning on an equal level. Mao Zedong said, "Let a hundred flowers blossom, let a hundred schools of thought contend." With a desire for unity as his point of departure, Mao Zedong said we should resolve our contradictions through criticism or struggle and proceed from there to a new unity. This was a democratic way of resolving contradictions among the people that was different from the class struggle of the past. From the very beginning, however, this method was interpreted one-sidedly and departed further and further from its original intent as time went by. Contradictions among the people included more than differences in ideological understanding. Even more important were competing interests, rights, and demands. Accordingly, we must begin by spelling out the equality, freedom, democracy and other rights that every citizen is entitled to and honoring such rights. Needless to say, we should at the same time specify the appropriate corresponding obligations. Only by balancing rights with obligations properly or through criticism and self-criticism can we achieve a new unity. The party as well as party and government workers who constituted the principal leading force and were primarily responsible for resolving contradictions among the people were particularly duty-bound to acquire the skill of persuasion by argument and reasoning within the framework of respecting the people's freedom, democratic rights, and other civil rights and to master the methods of reconciling all sorts of interest relations in accordance with the law. This required raising the entire population's democratic consciousness and legal consciousness and its awareness of the citizen's rights and obligations. It also required equipping it with skills fundamentally different from the confrontational methods of the past. Yet Mao Zedong did not make these things his priority. While stressing the differences between the two kinds of contradictions and the two ways of handling such contradictions, he remained wedded to the mass movement so frequently resorted to during the confrontational struggles in the past. A rectification movement was launched in the spring of 1957 targeting subjectivism, factionalism, and bureaucratism in the party. In theory, small democracy, "like a gentle breeze and a mild rain," was the *modus operandi*. In fact, the masses were aroused to expose and criticize, which was precisely why a tiny handful of rightists were able to mount their "big democracy," namely, speaking out freely, airing views fully, holding great debates, and writing big-character posters. Following the anti-rightist campaign, Mao Zedong ironically reviewed and endorsed these methods, adopting them for use not only against the rightists but also as a way of handling differences of opinions among the people. He applied the "four-bigs" in every field and

every arena of work, turning them into the synonyms of exposure, criticism, and struggle in real life. The original goal—having the people engage on an equal footing in discussion, debate, criticism, and self-criticism in accordance with their democratic rights—was completely lost sight of. The worst was yet to come; during the Cultural Revolution, the “four-bigs” became a tool of confusing friend with foe, the so-called mass dictatorship.

The two groups of reasons mentioned above were the obvious ones, issues that Mao Zedong failed to clarify and resolve when he put forward the idea of contradictions among the people and “double hundred” policy.

At the second level were the deeper social and historical factors that led to this tragedy, as well as reasons that had to do with Mao Zedong's own personality.

First, let us look at Mao Zedong's personality as an explanation. Because he wielded paramount power, his thought and conduct could not but have an enormous, even decisive, impact on how things actually turned out, whether they be the innovative breakthroughs at the beginning or the subsequent changes. Both in education and in life experience, Mao Zedong was inevitably influenced by China's long feudal past and certain feudal ideas still existing in real life, which found expression in his actions at critical points in time. All that is undeniable. However, this writer cannot go along with those who seek to explain Mao Zedong's mistakes with reference to the thought of feudal monarchs. Ever since his youth, Mao Zedong had pursued individual liberation and democratic freedom. He was a radical democrat and populist who abhorred feudal rule. Later he embraced Marxism and, analyzing Chinese society from the perspective of historical materialism, found the road that would lead to total victory for the democratic revolution in China. For that he struggled throughout his life, practicing what he preached. That he could rise above the Soviet model and Stalin's mistakes and come up with creative breakthroughs proves that he was a great proletarian democrat. Be that as it may, there were also inconsistencies in Mao Zedong's character. Besides the feudal ideas noted above, even more important were his extreme sensitivity about class struggle, a product of the protracted and brutal class struggle and revolutionary war in which he had been involved, and his highly developed sense of authority and swift manner of making decisions, cutting through all opposition, which were the results of his occupying the position of party leader, and rightly so, for so long. At the time these attributes were correct and essential to defeating the enemy and seizing victory. Under the new circumstances, however, they became barriers to the transition to a democratic system. For decades the goal of the revolution led by the CPC was to strive for democracy. Yet the brutal struggle between friend and foe, both the climate of the struggle itself and the methods, could not but hinder normal democratic construction and prevent democratic habits from taking hold. After seizing power and with the ferocious class struggle largely behind it, the environment began to allow more democracy and

freedom and there was a need to shift to regular democratic procedures. That Mao Zedong was the first to realize. At the slightest sign of trouble, however, he immediately tightened the bow of class struggle and went back to the old beaten track. The fact of the matter is that a revolutionary is most likely to fall victim to this kind of tragedy in times of upheaval when his mission as well as the circumstances change radically. Something similar happened to Mao Zedong's contemporaries, that is, the older generation of revolutionaries. It is just that Mao Zedong stood out more.

Second, there were China's own social and historical reasons. Old China was a semi-colonial semi-feudal society without the foundation for practicing democracy, operating a free market, or creating a free society. Nor were there a democratic tradition or democratic practices. The primary mission of the democratic revolution of the proletariat under the leadership of its party was to overthrow reactionary rule and seize power through a revolutionary war. It could only experiment with an elementary democratic system to a limited extent (principally revolutionary units and revolutionary bases). For China as a whole, patriarchy and ultra-democracy (or crude anarchism) were the order of the day. For seven or eight years after the PRC was founded, this pattern basically remained intact despite earth-shaking changes which vastly complicated the effort to correctly handle contradictions among the people, implement the “double hundred” policy, and social democratic construction. In fact, the process in which the “double hundred” policy and the concept of contradictions among the people took shape was accompanied by heated arguments and struggles, both inside and outside the party, which continued after they were put forward. Many unexpected things happened. At first the main problem was that many people in the party did not understand, were not accustomed to, and had no experience in the new situation and the new policies. Comrades with dogmatic ideas also resisted them. Wedded to the rigid Stalinist concept of socialism being complete unanimity, on the one hand, and accustomed to the ideology and practices of fierce friend and foe struggles of the past, they found the policy of “letting a hundred flowers blossom and a hundred schools of thought contend” unacceptable. They contended that it would lead to chaos all over the land and undermine the CPC's leadership. Others were full of nostalgia for the patriarchal style of leadership. (It may be noted in passing that Soviet leaders including Khrushchev at the time also disagreed with the “double hundred” policy and the concept of contradictions among the people.) Mao Zedong repeatedly criticized this situation, pointing out that we must adapt to the new circumstances ideologically and, learning from the [former] Soviet Union, overcome metaphysics. Later, there was also a widespread misunderstanding and misinterpretation of the “double hundred” policy and the notion of contradictions among the people. Some people even misread it to mean liberalization, freedom without discipline, democracy without centralism; rejected the Marxist theory of

class struggle; and denied that class struggle still existed to a substantial degree. There was much confusion in the rectification movement between the spring and summer of 1957. At the same time, there was indeed a handful of people who took an antagonistic stand to the democratic revolution and socialist revolution in China and tried to launch a counterattack on socialism and CPC leadership by expanding and taking advantage of the prevailing confusion. Between them these two trends led to the serious error of expanding the anti-rightist movement, which, in turn, soon caused Mao Zedong to reassess the class struggle situation. These facts show that it is an enormously complex and arduous task to develop democracy and make democracy and freedom exist side by side with unity, stability, and centralization in a society like China today with a long feudal history which is also economically and culturally backward. Such a task must proceed in tandem with economic and cultural development in an orderly way step by step. A two-pronged approach covering both ideological education and institutional construction is necessary so that the various democratic institutions and related laws can be gradually created and perfected and that the masses as well as government workers can enhance their democratic and legal consciousness over time, develop democratic habits, and acquire the democratic way of life. We absolutely cannot afford to be impatient and resort to the mass movement. On this matter, as with economic construction, Mao Zedong failed to fully consider China's national conditions or the stage Chinese socialism was in at the time. At the beginning, it was full speed ahead; there was an over-earnestness for quick success. After running into a problem, though, he over-reacted and over-corrected, resulting in massive setbacks and ups and downs. This is a profound lesson for us.

Thirdly, there were changes in the domestic and international situation. Nineteen fifty six and the spring of 1957 were devoted to the "double hundred" policy and contradictions among the people—both propaganda and implementation. By the fall of 1957, an anti-rightist movement was under way, the first setback in the drive to carry through with the policies mentioned above and develop democracy. At the time, Mao Zedong reiterated that class struggle was the principal contradiction, but it was both his expectation and his hope that after retraining in the "socialist revolution on the ideological front and political front," he could refocus his energies on economic construction shortly. In early 1958, therefore, he proposed that technological revolution be the new center of party work, calling on the party to adapt to the existing and emerging surge in production, to pay special attention to agriculture, finance, and trade, and to catch up with and overtake Britain in 15 years. In other words, the Great Leap Forward of the future would be in economic construction. The expansion of the anti-rightist movement was by and large just a temporary, limited setback. The resultant reassertment of class struggle by Mao Zedong was also a limited one. In general he still insisted that we redirect the focus in our work to economic construction. Contradictions among

the people were legion. The more serious setbacks and mistakes came after the failure of the Great Leap Forward when the domestic economy was deeply mired in numerous problems, and deep discussions occurred within the party. Simultaneously, tension rose in Sino-Soviet relations as well as China's relations with the West and a number of neighboring nations. In these circumstances, every contradiction worsened, objectively presenting the effort to develop democracy, carry out the "double hundred" policy, and create a lively and dynamic situation with a host of difficulties. Subjectively, Mao Zedong's class struggle was intensified. Moreover, the two interacted with each other, setting up a vicious circle. Consequently, at the Lushan conference of 1959 intra-party differences of opinion were elevated to the level of a continuation of the life-and-death struggle between the bourgeois and proletarian. In the next three belated years there was a deliberate effort to ease the strained atmosphere here and concentrate on economic adjustment. In reality, tension both inside and outside China intensified relentlessly. At Beidaihe in November 1962 Mao Zedong brought up class struggle again, finally totally abandoning the new socialist ideological and political society that he had hoped would be established in the wake of his "double hundred" policy and contradictions among the people. This also paved the way for the 10-year disaster, the Cultural Revolution. The lesson here is that it is easier to develop socialist democracy and freedom and create a lively and dynamic situation when the government is having more success in the economy, in domestic politics, and in international affairs. In contrast, it is harder when problems are mounting and there is tension all around. In the latter situation, leaders are more prone to emphasize struggle and rely on the centralization of state power and coercive methods. But these simple tactics are effective only for a limited period of time and, in the long haul, actually militate against the consolidation and development of socialism. The only fundamental way to ensure the long-term stability of socialism is to build democratic institution with perseverance step by step and create a political situation in which democracy and centralization, freedom and discipline, individual satisfaction and common aspirations go hand in hand in accordance with the principle of correctly handling contradictions among the people and the "double hundred" policy. Troubles and tension at home or on the international front hamper the development of democracy and freedom to a certain extent, but they should not cause us to depart from this fundamental position. Moreover, public understanding of this issue and the correctness or otherwise of the actions on it in turn play an important part in determining the direction in which the situation will evolve. Accordingly, whether or not the principal characters have a clear understanding and handle the situation properly is critical to determining whether or not we will end up with a vicious circle or positive circle. In putting forward the theory of contradictions among the people and the "double hundred" policy, Mao Zedong took warning from Stalin. (As we all know, the centralization of state power by Stalin and his despotism had

something to do with the situation both inside and outside the Soviet Union at the time.) Yet after advancing these correct theories and policies, Mao Zedong was subsequently forced by circumstances to modify them for the worse, with dire consequences. This tragedy shows that the odds are stacked against those who want to build socialism in a backward nation amid difficult circumstances.

Today we have mastered and inherited from Mao Zedong his correct theories and policies, at the same time correcting his errors. Things are now radically different from Mao Zedong's days. We stand on the shoulders of a giant. Nevertheless, our feet are still planted on Chinese soil. We still frequently encounter the kind of objective and subjective conflicts and difficulties Mao Zedong confronted back then and are not able to resolve them instantly. Thus studying his breakthrough innovations and tragic lessons has highly practical significance.

[15 Dec pp 4-8]

[Text] *The Third Breakthrough and Its Tragedy: On the Advanced Nature of CPC and Its Tie to the Masses*

Mao Zedong knew full well that "winning national victory is only the first step in the long march." "The road after revolution will be even longer and more bumpy." To turn populous, poor, and backward China into a prosperous and strong socialist nation would be an historic and extremely complex and difficult mission that required long-term exploration and effort. As in the case of revolution, we could not mechanically duplicate the experiences of other nations when it comes to the construction of China. This was what Mao Zedong always thought. As noted above, his goal was to take an economic road different from that of the Soviet Union and bring about a lively and dynamic social, political, scientific, and cultural scene. In a nutshell, to create a socialism bursting with energy that meshes with the characteristics of China and meets the needs of the Chinese people. Clearly, it was impossible to accomplish this mission and fulfill this mission without a CPC that integrates theory with reality, that has close ties to the masses, and that always maintains a proletarian advanced nature. This is why Mao Zedong paid close attention to the construction of the party at a time when it was wielding state power and leading construction. He studied the matter carefully and came up with major breakthroughs, both theoretical and practical. Here too, however, he later failed with tragic consequences.

In China, both the democratic revolution and the socialist revolution triumphed under CPC leadership. How to build a communist party marrying Marxism with the workers' movement to take up the heavy responsibility of revolution in a large Oriental nation where peasants accounted for the bulk of the population, where the proletariat is minuscule, and where the people's scientific and cultural standards were fairly low? This was a question that deeply interested Mao Zedong and other older revolutionaries. Their solution was a good

one. An important part of this solution was the advanced intellectuals who were schooled in modern education and had a personal need for national democratic revolution. On the one hand, they applied Marxism to the reality in China. On the other hand, they linked up with advanced elements among the workers and peasants to launch a revolutionary struggle together. The Chinese proletariat was under triple pressure. Not only did it unleash on its own a mighty anti-imperialist anti-feudal workers' movement, but, joining forces with advanced intellectuals, its staunchest members went to the countryside where conditions were most difficult to mobilize and unite vast numbers of peasants and conduct a protracted revolutionary war. Peasants were the backbone of the Chinese revolution. It was only natural therefore for a host of outstanding elements to emerge from among the ranks of the peasantry, educated by the CPC and tempered by the revolutionary struggle. China's anti-imperialist anti-feudal revolutionary war put the party's key members (advanced intellectuals, advanced workers, and impoverished peasants) under military commission for a long period of time, strengthening their proletarian character. In other words, during the revolution not only was the CPC composed of revolutionaries most eager to change China's semi-feudal semi-colonial look, but it had a proletarian advanced nature and was representative of the oppressed masses of workers and peasants of China, with whom it maintained intimate ties. All efforts on behalf of party construction, including the Marxist political line and ideological education, the organizational principle of democratic centralism, the practices of criticism and self-criticism, and methods of rectification movements, rested on this foundation.

During the period of revolutionary change, particularly after the victory of the democratic revolution, Mao Zedong went beyond affirming the Marxist revolutionary line; he also took special pains to maintain the party's proletarian advanced nature and remain in close touch with the masses. During the Yan'an era, he called for a wide-ranging campaign to study Gao Miao's [6753 3106 5387] "Commemorating the 30th Anniversary of Jiahe." He wanted the whole party to learn a major lesson from the story of King Chang, who entered the capital but, letting success go to his head, became arrogant. Corruption and dissensions set in and he was soon defeated. On the eve of the triumph of revolution nationwide, he warned all party members to be on guard against arrogance, rashness, and the bourgeoisie's sugar-coated bullets. After liberation, he repeatedly admonished all party cadres not to change their revolutionary nature and degenerate just because of the change in their status after victory. In conjunction with the solution of the various tasks inherited from the democratic revolution and the series of procedures in socialist transformation, he took a string of measures to solve the new problems that had emerged in party construction. For instance, he severely punished the party members and cadres who failed to make clear distinctions in land reform and sentenced Lin Qiuqian

[0491 3237 1472] and Zhang Zishan [1728 1311 0810] to death during the movements against the three evils and five evils. At the time, what needed to be done most of all were the tasks inherited from the democratic revolution, such as continuing to move troops around to eradicate the bandits and oppose local despots and carrying out land reform and other work relating to socialist transformation, including the abolition of the exploitation system. As far as party construction is concerned, past experiences sufficed as a guide. By and large, the state of the party was quite good in this period of change.

By 1956 and 1957 the situation in which the party found itself had changed in a fundamental way and economic construction had become the overriding mission. In these circumstances, how to mesh Marxism into the new reality and work out correct lines, policies, and principles in such areas as economic construction, social development, and democratic, political, scientific, and cultural construction took on special importance. But as far as the party itself was concerned, even more important was how to preserve the party's advanced nature and its ties with the masses. For instance, as leaders and members of the ruling party, how were CPC members to be advanced elements in economic construction and, at the same time, correctly reconcile personal economic interests with those of the masses? That was a brand-new topic, totally different from anything in the revolutionary years. Or how should the party correctly handle the contradictions among the people which were multiplying? This had become the theme of national political life. Many contradictions among the people directly and indirectly manifested themselves as relations between the leaders and the led. As leaders and rulers, how should CPC members handle these contradictions? This was an unprecedented topic. For this very reason, since 1956 Mao Zedong had highlighted the issue of maintaining the party's advanced nature and its close ties with the masses in the new situation, giving it special consideration. The negative side of the CPSU during the Stalin era that came to light after the 20th CPSU Congress as well as complex contradictions inside the CPSU at the time only served to make Mao Zedong pay even closer attention to party construction. A proposal was made at the Eighth CPC National Congress in 1956 to combat subjectivism, factionalism, and bureaucratism through party rectification. In the spring of 1957, after Mao Zedong raised the issue of correctly handling contradictions among the people, a party-wide rectification movement targeting subjectivism, factionalism, and bureaucratism went under way. Masses outside the party were mobilized to criticize party members, particularly those in leadership positions, so as to help the party rectify its style. At that time Mao Zedong sharply criticized the desire for personal fame and gain on the part of some people in the party and attacked them for forgetting their fine tradition of arduous struggle, for losing their revolutionary spirit, and for acquiring such bad habits as scrambling for position and fame and putting on bureaucratic airs. He emphasized that party members must maintain the revolutionary zeal and spirit of the revolutionary era and

identify themselves with the masses. If combating subjectivism was necessary to solve problems relating to ideological line, then the fight against factionalism and bureaucratism was needed essentially to sort out relations within the party and without, particularly those between the party and the masses. The goal was to make the party, now that it became the ruling party and leader, stay in line with the masses in everything, from the way of life to thinking to feelings, which would prevent some party leaders from going down the road of bureaucratism and privilege. At the time Mao Zedong and other leaders were sincere and firm in this matter. Unfortunately, they later misjudged the situation and the anti-rightist movement spread, so the mission was not accomplished. At the peak of socialist construction in 1958, Mao Zedong put forward a string of policies, including cadre participation in labor, and over time came to endorse two participations, one reform, and three-way combination (cadre participation in productive labor and worker participation in management), reform of irrational and outmoded rules and regulations, and close cooperation among workers, cadres and technicians). The purpose was always the same: to maintain close ties between the party and the people. Unfortunately, because the Great Leap Forward proved to be a mistake and soon failed, these policies and measures were not systematically followed through. After the 1960's, Mao Zedong, learning from the Soviet Union, again and again voiced objection to the bureaucratic and revisionist thought and style of some party members, especially leading cadres, which cut them off from the masses. He called for the training of successors to the cause of proletarian revolution and opposed peaceful evolution, both indicative of a concern to keep the party's proletarian nature, maintain intimate relations between the party and the masses, and prevent the party's degeneration. At the same time, however, he erred by exaggerating class struggle more and more, even portraying intra-party contradictions as class struggle on many occasions. Misled by this flawed theory, he increasingly confused the preservation of the party's purity with ultra-leftist party struggle, finally culminating in the tragedy of the Cultural Revolution.

The tragedy for Mao Zedong here was different from that in the two areas mentioned above. It was not a case of correct policies and theories going awry and failing in the course of implementation. Instead what happened here was that the right and the wrong often got confused or a host of erroneous conclusions were drawn from a correct premise. The situation here was so complex that a serious and careful analysis is called for.

To begin with, Mao Zedong attached the utmost importance to preserving the party's proletarian advanced nature and revolutionary purity. His subsequent perception that the CPSU had degenerated only served to reinforce his concern for this matter. Besides taking care to combine the universal truths of Marxism with the actual reality in China and seeking a correct way to build Chinese socialism (there were both innovations and lessons here, as noted above) Mao Zedong in the early

years of the PRC emphasized recruiting workers into the party in large numbers and enhancing the proletarian element of party membership, a proposal that was implemented. Even more important, he often emphasized carrying out Marxist ideological education among all party members and demanded that all party members, particularly the cadres, equip themselves with socialist and communist ideals and beliefs and fight for the final abolition of the exploitation system in China. He wanted all party members to serve the people wholeheartedly and make unyielding efforts to bring about China's industrialization and modernization and improve the people's lives all round. He wanted them to oppose the bourgeois desire for personal gain and fame and preserve their revolutionary fervor and revolutionary spirit of fighting heroically for the revolution and the people, not afraid of sacrificing personal interests. All of that was intended to preserve the party's advanced nature during the construction period and enable it to become an ideologically advanced force that was also capable of leading all strata in society in practical action.

Secondly, he was always concerned to prevent the CPC from degenerating after seizing political power nationwide and for this reason never stopped stressing the party's traditions of arduous struggle and close ties with the masses. In successive party rectification movements, particularly the one in 1957, he talked about this issue repeatedly, demanding that leading cadres at all levels get along with the workers and peasants as ordinary laborers on an equal footing and overcome bureaucratism. He even criticized the bureaucratism of those occupying high-ranking positions who had no concern for the suffering and hardships of the masses and were far removed from them and reality as examples of anti-people thinking within the party and reactionary KMT practices. Subsequently he sought to prove each and every way that if the ruling CPC degenerated, the socialist political regime and social system would inevitably degenerate also. Many measures initiated by Mao Zedong were adopted to solve this problem. In distribution, for instance, the party adopted a low-wage system and wage differences between party leading cadres and ordinary workers were closely watched. Leading bodies at all levels were required to conduct studies deep at the grassroots regularly and leading cadres at all levels must go to the workers or peasants under their leadership and participate in physical labor at fixed intervals.

Third, to achieve the objective mentioned above, he set great store by conducting socialist and communist ideological education throughout society, particularly within the CPC, and mobilizing the masses to supervise party members. He suggested that we emulate Comrade Lei Feng [7191 6912] and turn him into a role model for serving the people wholeheartedly. He reviewed and promoted the experience. He was constantly on the look out for and publicized advanced figures and advanced thought within the party and in society at large. This was systems engineering aimed at planting over the fatherland the flag of positive healthy advancement that was

consistent with the principles of the CPC and changing the Chinese people's spiritual outlook. Throughout Mao Zedong pushed the vast number of CPC members, especially leading cadres at all levels, to the forefront of the construction of spiritual civilization. He never stopped severely criticizing all sorts of corrupt feudal and bourgeois thinking for corrupting the party. For instance, he condemned pursuing fame and fortune, acting as lords and masters, pleasure-seeking, indulgence, love of luxury, worshipping and having blind faith in things foreign, and envying and imitating the corrupt bourgeois way of life, so on and so forth. By consolidating the party organization and rectifying incorrect styles of work, he appealed to the masses to criticize and supervise those erroneous ideas and practices within the party and advocated running the party strictly.

By and large the leadership headed by Mao Zedong, or what we call the older generation of revolutionaries, and the rank-and-file leading cadres all had a high degree of consciousness on this matter, so much so that they set a personal example in resisting all sorts of privileges and corruption. This was an important reason why despite the party's numerous mistakes, it still managed to maintain a high degree of popular trust among the masses.

Mao Zedong put forward the three points mentioned above and never loosened his grip on them. In the course of implementation, there was one-sidedness sometimes. Other times there were ambivalent views and practices. On the whole, however, it is critical that he came to grips with these issues. As it led the people on the protracted and difficult journey of exploring ways to build socialism after seizing state power, the CPC must turn itself into an advanced social force, the representative of the interests of the vast majority of working people, and maintain intimate ties with them. It must burst with revolutionary willpower and spirit and be able to resist the corrosion by every manner of erroneous and corrupt thinking by relying on public supervision both inside and outside the party. Wasn't this a basic guarantee of the CPC looking for a way to combine Marxism with reality and leading society to move forward in the correct direction? From the tumultuous changes in the Soviet Union and its disintegration, we learn one lesson: Anti-communist forces of all shapes and stripes swept through the Soviet Union with full force. The CPSU and the regime it led collapsed instantly like a house of cards, demonstrating that the party had utterly lost the trust and support of the people, totally shorn of its prestige. It also shows that if ruling communist parties in socialist nations fail to correct their mistakes and stave off degeneration and peaceful evolution, they would be overthrown and their nations would change political color. Isn't this a profound lesson? Although what Mao Zedong proposed at the time seemed commonplace, therefore, we cannot but call them major breakthroughs in socialist construction.

As noted above, Mao Zedong's thought as to how to intensify party construction after it seized power indeed erred in many ways, something that was related to his skewed interpretation of socialism. Briefly it can be

summed up in two ways: First, as part of his utopian socialism and egalitarianism, Mao Zedong made many unrealistic demands on CPC members and cadres. For instance, he correctly opposed some party leaders acting as lords and masters and distancing themselves excessively from the ordinary people in material living. Yet because of his objection to the bourgeois right, he would not permit any status and material disparities derived from distribution according to work, which was pernicious and totally divorced from reality. He called on all cadres, again rightly, to participate in labor. During the Great Leap Forward, however, particularly during the Cultural Revolution, he demanded that all party members and cadres at all levels "learn from the workers," "learn from the peasants," and "learn from the soldiers" alongside the masses, "criticize the bourgeoisie," and carry out the so-called 7 May Directive of 1966, which too was pernicious and removed from reality. As a result of these utopian socialist demands, party construction in reality had lost all objective criteria. True CPC members and cadres were at a loss as to what to do, whereas sycophants, opportunists, swindlers, and hypocrites were able to advance rapidly, which did enormous harm to the party's image and credibility. Second, even more serious, he misapplied the concept of the expansion of class struggle not only to a socialist society, but also to the party itself. He not only regarded some unhealthy trends within the party as signs of class struggle, but he also considered many correct ideas, policies, and practices within the party as wrong, revisionist, and bourgeois, and opposed them vehemently on those grounds, citing them as evidence that there was class struggle within the party. Worse, he considered the differences of opinion inside the party over various specifics in socialist construction, primarily the differences in thinking between himself and other leaders, as the struggle between the two lines, between the two classes. Not only did this confuse right with wrong and blur the direction and objectives of party construction, but it also gradually led to the Cultural Revolution, which severely depleted the party's ranks and undermined its leadership, a major tragedy in the history of socialist construction in China as well as the history of the party.

At a deeper level, there were even more important reasons why Mao Zedong, having proceeded from a correct premise (preserving the party's advanced nature after it became the ruling party), went on to draw the wrong conclusions in many ways (demands smacking of utopian egalitarianism and the expansion of class struggle). It is that he and other top leaders at the time were deeply colored by past experiences and traditions. Having done no in-depth studies on certain fundamental issues relating to party construction at a time when the party wielded state power and presided over construction, they could not offer a proper solution.

The first issue had to do with the party's social and class nature. The party was the vanguard of the proletariat; as such, it was capable of leading the Chinese revolution and construction. In terms of its social composition, the

party should include a mix of people from the working class and advanced elements from the laboring class, primarily advanced elements from the workers, advanced elements from the proletarian intelligentsia, and advanced elements from the collective peasants. These advanced elements must establish close ties with the rank-and-file workers, peasants, and intellectuals. They should be able to reflect and represent their interests and aspirations and should lead and unite them to fight for the realization of their interests and aspirations. The important thing was that the term "advanced elements" must be rethought and redefined in the period of construction vis-a-vis the revolutionary years. In the past, advanced elements usually referred to people at the very bottom of a society where classes were polarized. The subjects of class oppression and national oppression, these people realized that only by organizing themselves to overthrow such oppression and abolishing the social system of exploitation of man by man could achieve personal liberation and class liberation. Hence their firm commitment to revolutionary struggle. Under the new set of circumstances, that is, after the CPC led the people in seizing political power and abolishing the exploitation system and began socialist construction, "advanced elements" were people who had a sober understanding and a correct approach to the class struggle that remained to a limited extent. Even more important, advanced elements were the active participants in economic, political, and cultural construction. They felt urgently about changing China's backward and impoverished look and ending their poverty and that of the masses around them and through their own efforts were able to lead the masses to achieve wealth and civilization. Here arises an issue that represented a departure from the past. As advanced elements among the masses, and after mastering some skills, acquiring a measure of power, and obtaining a certain social position and economic interests, how should CPC members handle their relations with the masses around them and preserve their advanced nature? In other words, how could they continue to appear as ordinary workers, serve the people wholeheartedly, genuinely maintain flesh-and-blood ties with the people, think what the people think and be eager to meet their needs so that they would not become a privileged group, a bunch of bureaucrats seriously divorced from and high above the masses? Whether or not this problem was handled properly had a significant impact on party construction. In a socialist society, particularly during its underdeveloped stage, there should be differences between one individual and the next in social status, especially economic earnings, because of variations in nature and nurture. Even in the Mao Zedong era, we still affirmed the principle of distribution according to work and the principle of the exchange of equal values. On the other hand, socialism is basically opposed to people using their superior political and economic circumstances to encroach upon others' wealth and restoring the social system of the exploitation of man by man. Advanced elements from among the workers, peasants, and intellectuals therefore should be able to mesh their own interests closely with collective

and national interests. Mao Zedong's limitation was that theoretically he could not bring himself to admit the differences in status and distribution between CPC members, particularly the party's leading cadres at all levels, on the one hand, and the masses around them, on the other, even though in reality he had no choice but to allow such difference. He constantly called on people at the lowest strata of society, the poorest people, and the least educated people to rise up and oppose those who had obtained secured some social status, knowledge, and wealth, calling this sweepingly "class struggle" and "revolutionary rebellion" regardless of how the differences came about. The most typical examples were the "four clean-up movement" and the Cultural Revolution. What Mao Zedong did not only blurred the standards for advanced elements but also undermined the forces for social development. Subjectively speaking, of course, Mao Zedong was well-intentioned in what he sought to do. What worried him most was that some people in the party, especially leading cadres at all levels, would, after acquiring a measure of power, standing, and wealth, seek to aggrandize their power and wealth unscrupulously, taking up a position diametrically opposed to that of the masses and degenerate, instead of leading the masses to achieve common wealth. This kind of people must be resisted. But at the time the wrong methods were used to resist them. Besides, in general these people were few and few between in the party, so the struggle against them should not have been a broad-based one. Ironically today the ranks of these people in the party have indeed swollen, something we should be on guard against. How to combat corruption and resist the degeneration of these people has truly become one of the priorities today. In short, we must study Mao Zedong's contributions and lessons in light of the reality nowadays, clearly define the CPC's advanced nature, make it clear that as advanced elements of workers, peasants, and intellectuals, CPC members must be people who can, on the one hand, effectively lead the masses in obtaining practical results in economic, scientific, and cultural development, and, on the other, correctly harmonize personal interests with collective interests and national interests. The CPC is opposed to egalitarianism, but it is also opposed to degeneration and bipolarization. Only then can our party develop a solid social base and put itself in an invincible position.

Second, about democratic life and democratic institutions within the party. At a time when it was exercising state power and presiding over construction, practicing democracy would have been the most fundamental way to preserve the party's advanced nature and continuously rid it of corrupt elements and phenomena. To begin with, develop democratic life within the party and perfect the intra-party democratic system. This was actually Mao Zedong's recipe. In 1945, democratic figures like Huang Peiyan [7806 3508 1014] went to Yanan on an inspection tour. He saw unity between soldiers and civilians in the CPC-led liberated area. Everybody from top to bottom was joined in a common struggle. The place was bursting with vitality and flourishing, in sharp

contrast to the corruption-plagued KMT-ruled areas. He was deeply moved. He said to Mao Zedong at the time, "Be they a person, a family, an organization, a locality, or a nation, they all rise rapidly and fall just as rapidly. Things tend to go in cycles. Nobody has broken this cycle. How is the CPC going to escape from this cycle in the future?" Mao Zedong replied, "We have found the solution, namely, democracy."

After the PRC was founded, particularly after socialist construction went under way in 1956, Mao Zedong and the leadership core at the time did take intra-party democracy seriously, especially after a mountain of facts came to light at the 20th CPSU Congress about Stalin's personality cult and his destruction of democracy. Before and after the Eighth CPC National Congress, Mao Zedong went out of his way to stress intra-party democratic construction and made some efforts. By and large, however, intra-party democratic construction did not receive full guarantee; on the contrary, it was increasingly disrupted and weakened. First, there was no sound democratic life. On situations, policies, and similar topics, you could usually still freely discuss, criticize, and self-criticize within the party. But when it came to major topics, however, Mao Zedong often silenced others first by flexing his muscle, that is, labelling those who disagreed with him as "left," "right," or "bourgeoisie." This put the party under some kind of pressure, preventing the free and honest discussion of both theoretical and practical issues. Over time, this one-man-alone-has-the-say situation came to replace what a proletarian political party should have: a lively interesting political scene of free discussion that aimed to seek out the truth. Wasn't that precisely what happened in the "anti-advance" movement in early 1958; the "anti-fence sitters" and "anti-conservative" campaigns during the Great Leap Forward; the full-fledged anti-rightist movement launched after the Lushan conference of 1959; the movements against bourgeois reactionary line, royalists, and later, restorationists, and a right deviationist verdict-reversal trend, all of which happened in the Cultural Revolution? Second, there was no institutional construction. Democracy is, first and foremost, a set of institutions. The fundamental tenet of the party's democratic centralism was the minority subordinating itself to the majority. It means centralism based on democracy. Other principles derived therefrom were the individual subordinating itself to the organization, the lower level subordinating itself to the higher level, the party subordinating itself to the CPC Central Committee, and democracy guided by centralism. Principles need to be translated into detailed rules and regulations. By regulations, we mean regulations that have a universal binding force. For instance, at all party meetings a member may express his opinions fully on the party's theoretical and policy issues. Motivated by a desire for unity, a party member or a lower level may offer all sorts of well-meaning criticisms to leaders at all levels. Important policy matters are discussed and debated at a conference with a specific set of terms of reference. The party's policy must be decided by vote in strict accordance with

the principle of the minority subordinating itself to the majority. Provided they comply with the party's resolutions in action, the minority may keep its own different opinion. The leaders of party committees at all levels are to be elected on a fully democratic basis. Not only are detailed regulations necessary, but so were operating procedures and methods of supervision and restraint. Once a regulation is made, it cannot be violated by anybody. Regrettably Mao Zedong and some comrades in our party often looked upon democracy as a mere tool, a certain work style. Mao Zedong repeatedly called on leaders at all levels to listen to the opinions of the masses inside and outside the party, to draw on collective wisdom and absorb all useful ideas, and to make the right decisions after collecting the masses' opinions. Further, he again and again called on them to submit themselves to criticism and supervision by people inside and outside the party and overcome bureaucracy and other unhealthy trends. But while he often publicized and advocated these attributes and practices, he seldom made an effort to set up a coherent democratic system within the party complete with mechanisms for the effective supervision of power. The party constitution and other regulations were often too rigid and inoperable as they were written and were not strictly enforced after being drawn up. In particular, party leaders were the first to break the rules. The consequences were disastrous: democracy was damaged and so was the force most essential to a proletarian political party: the necessary centralization and discipline. During the Cultural Revolution, on the one hand, personal arbitrariness, which was anti-democratic, reached a peak. On the other hand, anarchism, which goes against centralization and unity, also hit an apex. This was epitomized by the unprecedented destruction done to democratic centralism.

Intra-party democracy is the foundation of socialist democracy. Practicing democracy inside the party is totally consistent with and complements practicing democracy among the people. Whether or not we can implement and continuously perfect democratic centralism will not only impact party construction, but will also decide whether or not there will be a normal political life in the nation, whether or not the socialist enterprise would develop smoothly. China is fairly backward economically and culturally, with a long feudal history behind it but no democratic tradition. The creation of socialist democratic institutions is a difficult task, a long drawn-out historical process. But the CPC, comprising advanced elements from the workers, peasants, and intellectuals, is a more conscious group. Leading cadres at all levels have a relatively high scientific and cultural standard and considerable work experience. Thus we can say the CPC is both equipped and duty-bound to make rapid progress in the development of democracy and democratic institutions, which should serve as the engine of the development of socialist democracy as a whole. Mao Zedong's failure to tackle this after the PRC was founded must be described as a gigantic error that led to a string of other mistakes.

As a great historical figure, Mao Zedong represents a meaningful stage in the development of socialism in China. With Marxist theoretical courage, he made bold departures from the problem-beset model of socialism fashioned by Stalin. This article is a preliminary analysis of the road and model of socialist construction, socialist political and social development, socialist scientific and cultural development, the preservation of socialist leading forces, namely the class nature and revolutionary purity of the CPC. The overall sense is that while Mao Zedong's breakthroughs and explorations in these areas were varied and deep, his tragic failures here also teach us an important lesson. In short, both his glorious breakthroughs and tragedies bequeath to posterity a precious legacy.

The best way for a CPC member to commemorate Mao Zedong's 100th birthday should be to study and learn from Mao Zedong's legacy in earnest in order to improve and strengthen our socialist construction enterprise.

Intellectuals on Mao Zedong's 100th Birthday

Wei Jingsheng on Mao, 'Accomplices'

94CM0078A Hong Kong KAIFANG [OPEN MAGAZINE]
in Chinese No 11, 18 Nov 93 p 8

[Article by Wei Jingsheng (7614 0079 3932): "The Best Lesson Mao Zedong Taught Us"—first paragraph is editor's note]

[Text] Wei Jingsheng specially wrote this short commentary at the invitation of this magazine, the very first piece of writing he did after he was released from jail. While a mere 1,000 characters long, it demonstrates the style of Wei Jingsheng of the Beijing Spring era, lucid and lively, bursting with a sense of righteousness. His message to the people of Hong Kong: Learn from the lessons written in blood on the mainland and spare yourselves a good deal of pain.

Has a verdict been returned on Mao Zedong as a historical figure? No. Because he is still playing a role in real life. To put it bluntly, there are still some people who seek to hatch all sorts of plots and conspiracies in his name.

What kind of person really was Mao Zedong? Most people answered that question a long time ago. He dragged practically the entire China onto the road of brutality, treachery, and poverty, indirectly causing a hundred million people to starve to death and forcing another hundred million to leave home and wander about as beggars. Because of Mao Zedong, as many as a hundred million people were persecuted politically and tortured physically and mentally for years on end. Mao Zedong's crimes were too numerous to mention. He outdid the worst despots in the world, Chinese and foreign. In this sense, he was indeed a "giant," "the first since time immemorial," "unique." To be fair, though, while Mao Zedong must be held primarily responsible for the profound suffering inflicted upon the Chinese

people for over 40 years and for China's poverty and backwardness, he was not the only culprit. There were other accomplices who followed him and helped him concoct all manner of schemes and plots, bringing calamity to the country and the people. They too should be held accountable in a big way. Then there were the masses who tolerated their crimes, who revered them as gods and encouraged them to commit all kinds of outrages. Can they absolve themselves of their culpability? In my youth, I was myself an admirer of Mao Zedong. After I woke up from my dream, I was filled with remorse and self-blame. Then I realized that remorse and self-blame would not do any good. Instead we must see Mao Zedong and the bunch of hooligans under him in their true colors and stand up to them. That was the only way to save ourselves and countless other fellow victims.

We could not look to the Savior or some upright magistrate to save us. Nor can we depend entirely on friends. Only when we exert ourselves to save ourselves would others be willing or able to help us. Nobody wants to or is able to help weaklings who self-destruct or abandon themselves to vice.

We Chinese must keep this lesson, so personal and so profound, close to our hearts. Otherwise, people who are adept at using violence and ready to do so would inevitably ride roughshod over us. Like Mao Zedong, they would torment us practically to death, while still demanding that we revere them as gods. In a certain sense, it is the people's timidity and bullyability that brings out the brutality in a ruler. When people have the courage to stand up for their rights, it is impossible for the ruler not to back down. This lesson, written in blood, the Chinese people will never ever forget. I hope the people of Hong Kong learn from it and spare themselves a good deal of pain. 3 November 1993

Bai Hua on Mao and 'Monarchical Authority'
94CM0078A Hong Kong KAI FANG [OPEN MAGAZINE]
in Chinese No 11, 18 Nov 93 pp 50-52

[Article by Bai Hua (4101 2901): "Mao Zedong Inherits Monarchical Dictatorial Tradition"]

[Text] Another lonely century. With countless centuries behind it, one more century means hardly anything to China. For a generation or two, however, a century covers its entire life-span.

Eighteen ninety-three. Year 19 of the reign of Emperor Guangxu of the Qing Dynasty. At 21, Guangxu had nominally taken over the reins of government for 4 years after coming of age. It was a time when everybody, from the emperor to his ministers and subjects, was committed to strengthening China.

In September, the Shanghai Mechanical Textile Factory, which produced 600 bolts of cloth every day, was burned down. Li Hongzhang [2621 7703 4545] petitioned for its rebuilding. Cheng Xuanhuai [4141 1357 2037] was

instructed to go to Shanghai. In Hubei, Zhang Zhidong [1728 0037 3159] set up a self-strengthening academy offering instruction in four disciplines: foreign languages, mathematics, natural science, and commerce. Lenin, 23, left Samara for St. Petersburg. Tchaikovsky, the Russian musician, died, leaving mankind a stream of beautiful music that would never run dry. In Britain, textile workers and coal miners went on strike one after another. In Spain, anarchists set off bombs in the two cities of Santander and Barcelona, probably the first acts of terrorism. An economic crisis erupted in the United States. To finance the construction of warships for use in military actions against China, the Japanese emperor issued an imperial edict cutting the salaries of civilian officials by 10 percent and dismissing 3,000 bureaucrats, thus saving 1.7 million Japanese yen.

Mao Zedong Born Into a Troubled World

Mao Zedong was born in a tiny mountain village on 26 December, a time when China was plagued by domestic strife and foreign invasion. The following year China suffered a disastrous defeat at sea in the Sino-Japanese War. This convinced Sun Yat-sen, the pioneer of democracy, that China must reform across the board if it was to strengthen itself. So he set up Xingzhonghui in Honolulu. Those were troubled times all over the world. The great turmoil wrought on by the desire for survival, for development, energized human thinking like never before. Because of Lenin's passionate actions in Russia, Marxism became a worldwide movement. Mao Zedong was born at the right time. Although his successes and failures belong in the past, they still help shape China today.

Adopting Marxist-Leninist Theory of Class Struggle

A century ago, both China's national sovereignty and imperial power were in the hands of a weak and incompetent ruler. This made a profound impact on young Mao Zedong, rural-born but lettered. Every Chinese peasant dreamed about a mansion fit for a king, even the Forbidden City with all its splendor.

Mao Zedong was no exception. He had read all the classics, inheriting lock, stock, and barrel that part of Chinese culture in which he had an interest. Since China was then an isolated empire, Mao Zedong had no knowledge of any foreign language, which prevented him from absorbing much of the fruit of human thinking outside China. He benefited the most from the theory of class differentiation as presented in popular Marxist-Leninist pamphlets and made it absolute. During the age of land revolution, this spiritual fruit miraculously turned into a material force capable of mobilizing the peasants.

After the PRC was founded, the class struggle theory, having been made absolute, went international. As a result, China at peace remained in isolation for years even as one domestic struggle followed another on the home front. What should be affirmed is this: Mao

Zedong took a firm and hard-line position in safeguarding national sovereignty even if it meant isolating China and falling out and subsequently clashing with the Soviet Union after Khrushchev came into power.

From ancient books and historical texts Mao Zedong later got to learn even more about the experiences of emperors in successive dynasties in subjugating their subjects. He never shied away from acting imperial in matters of both style and substance, adopting the way of might as well as the kingly way. As they said, "The style of Emperor Wen and Emperor Wu was to be strict and liberal in turns." From the Yanan rectification movement of the 1940's to the anti-rightist struggle, Mao Zedong copied the best that literary inquisition in one dynasty after dynasty had to offer. Through confession movements effected by compulsion, Mao Zedong sought to eradicate unspoken criticism. Tragically, the overwhelming majority of intellectuals did not set out to slander Mao Zedong out of malice. Instead, they were persecuted for speaking their minds. Some were even motivated by a desire to curry favor with him.

Maligned Intellectuals Trapped in Historical Vicious Circle

Mao Zedong's attack on intellectuals was indeed a huge success. Only years later did people realize that he simply would not let you have a voice. The only thing he would let you do was to listen with respectful attention, not even repeat his words. In the anti-rightist movement, some people were attacked as rightists precisely because they repeated some of Mao Zedong's words as yet unpublished at the time.

By the time the Cultural Revolution broke out, people no longer knew what to believe. On the other hand, they dared not omit a single word. Any documents co-signed by the CPC Central Committee, the central military commission, the CPC Cultural Revolutionary Committee, and the State Council might become wrongly transmitted imperial edicts overnight. Mao Zedong's closest comrades-in-arms might end up as conspirators the next day. All the masses in every faction in the civil war during the Cultural Revolution were blind followers who repeated every single one of Mao Zedong's words a thousand times. Many of the ways, voluntary and compulsory, in which these people pledged their loyalty to Mao Zedong reminded us of the scenes that took place under a corrupt monarchy. But Mao Zedong had no qualms at all, which goes to show that not even he could break the vicious circle in Chinese history (The hopes of the Chinese people rose and fell with dynastic succession). If nothing else he admired monarchical authority in spite of himself. In his old age he genuinely believed his words were the golden truth.

After his death, Mao Zedong was roundly criticized by many people for his personal conduct. As he himself had said, there is no perfect human being, just as there is no perfect gold. In all fairness, Mao Zedong was largely free from corruption. He was a diligent thinker, determined,

courageous, and hardy and frugal in his personal habits. He was a precocious military commander who took war as his instructor, a propagandist and agitator who had a profound understanding of Chinese peasants and enjoyed their strong support. In the pre-1949 war years, he had a knack for spotting talented people and putting them in the right positions. Moreover, he was a charming poet and lover.

Certainly many emperors who founded or engineered the resurgence of a dynasty also possessed these qualities. In 500 B.C., King Goujian of Yue was defeated in battle and lost his kingdom. Enduring humiliation in order to carry out an important mission, he even refused to "eat any grain not grown by himself and wear any clothes not woven by his queen." What happened in the end? After conquering the Kingdom of Wu, he sentenced Wen Zhong to death and sent Fan Li into exile. Goujian went down the same road that all other kings and emperors had gone down before. In its entirety Mao Zedong's legacy is worth far less than the ill-gotten gains of some village chief in China today. His inheritance consists mainly of the royalties on his writings.

Paying a Hefty Price for Personality Cult

My screenplay "Bitter Love" came under attack in 1981. I was particularly taken to task for a minor scene in which the leading character, then a child, asked the elder of a temple, "How come Buddha's face is black?" The elder replied, "His face has been blackened by the incense burned by the worshippers."

There is no denying the truth I am referring to: The cause-and-effect relationship between the worshipped and the worshipper in Chinese history. The Chinese paid a steep price for Mao Zedong's personality cult. Years of political struggle retarded production growth for long periods of time. The Great Leap Forward caused a mass famine. The disillusionment resulting from the Cultural Revolution caused a nervous breakdown among the entire population. In the end Mao Zedong's face was blackened by the incense burned by hundreds of millions of worshippers. Then came the Tiananmen incident during the Qingming Festival in 1976. Only then did Mao Zedong see his own blackened face in tens of thousands of eyes. The man, who had been spiritually tough and physically strong, never recovered from this episode.

Chinese intellectuals in the late 1940's firmly believed that the Chinese nation would henceforth be strong and the nation would prosper and live in peace. They also believed that all past, present, and future successes should be attributed to Mao Zedong Thought, that Mao Zedong Thought was invincible, and that it was the beacon for the people of China and even the whole world. In short, Mao Zedong was perceived as an omnipotent god.

Please Open the Door of One's Mind

Most Chinese intellectuals gave up the right to independent thinking of their own accord. Many scholars regressed into juvenile or infantile thinking. Because of their intellectual sloppiness, they became either wolf-like or sheep-like. Intellectuals were completely stripped of their independent personality. In addition, a succession of political movements objectively drove home the grim fact that other than Mao Zedong, it was harmful and downright dangerous for anybody else to even think. No matter how senior their positions, however solid their credentials, they would all come to grief (Real-life examples include Liu Shaoqi [0491 1421 1142] and Peng Dehuai [1756 1795 2037]).

There was a time when people of the Mao Zedong era congratulated themselves on the existence of Mao Zedong. Later they rejoiced over his passing from the scene. No leader, however great, can guarantee a nation's stable sustained development. What is needed is a political system that entrusts hope, democracy, and freedom to the people and where the people can effectively supervise and replace public servants, including the No. 1 public servant.

Another century. With countless centuries behind it, one more century, one less century does not mean anything to China. For a generation or two, however, a century covers its entire life-span.

Today, at long last, China has changed its course and headed toward the world. China must shed its isolation, poverty, and degeneration. But it must never again long for the birth of another great helmsman. For starters, everybody must unlock the door to his thinking, something that requires courage and strength because for too long he has been held prisoner ideologically. Then every door in China must be opened to let in fresh air. One door, however, must not be opened, namely the heavy door leading to the imperial throne.

(Bai Hua is a Shanghai writer. His screenplay "Bitter Love" came under attack in 1981.)

Intellectuals Confront 'Spiritual, Moral Scars'
94CM0078A Hong Kong KAIFANG [OPEN MAGAZINE]
in Chinese No 11, 18 Nov 93 pp 56-57

[Article by Zheng Yi (6774 5030): "Intellectuals Confront Spiritual Ruins After Mao Zedong"]

[Text] It seems that without the effort of several generations, it would be extremely hard to erase the spiritual and moral scars left behind by the autocratic system of Mao Zedong. The responsibility of the artist is to remake the soul of a nation. Otherwise all that blood would have flowed in vain, all that suffering would have been borne in vain.

Dear Jin Zhong [6855 6988],

How are you?

Cai Yongmei [5591 0737 2734] called me a couple of days ago to ask whether or not I could write a piece to

mark Mao Zedong's 100th birthday. I agreed right away and thanked her for going out of the way to invite me to write an article. After two days, however, I realized I had trouble coming up with something; I had nothing new to say. Besides, I am dying to get started on my long novel. I am too dumb to do more than one thing at a time. Fiction-writing is my specialty. Moreover, a couple of ideas crossed my mind lately, which is all the more reason why I should concentrate.

Only Art Distilled From Suffering Is Valuable

When it comes to suffering, China bears a close resemblance to Russia. Both peoples have been plagued by disaster. The only difference is that a host of artists have chronicled their misfortunes, thus transforming them into the treasure of the nation, even of all mankind. Tolstoy's *War and Peace* and *Anna Karenina*, Sholokhov's *And Quiet Flows the Don*, Pasternak's *Dr. Zhivago*, Tchaikovsky's "1812 Overture," Liabkin's *The Boat Tracker on the Volga*, Gogol's *Dead Souls*... (the list goes on and on) all strike a responsive chord in our hearts. Why? Because it is the suffering of a nation, the spirit of a nation. Suffering is more than just suffering. Once transformed into art, it takes on a spiritual value, ultimately distilled into the indomitable soul of a nation and capable of moving and inspiring future generations.

We have probably suffered more than the Russians. But our suffering has not been written about. No truly great work (whether literary, artistic, musical, or dramatic) exists to chronicle the Taiping Rebellion, the 1911 Revolution, the civil war, the war of resistance against Japan, the Great Leap Forward, or the Cultural Revolution. The only thing we have to show for our 8-year war of resistance against aggression, for instance, is the "Yellow River Cantata," mediocre in quality and communist in flavor to boot. For us Chinese, therefore, suffering means simply suffering. If our suffering is not remade through art, if the soul of the nation is not recast through art, then the blood would have flowed in vain and suffering borne in vain. Why? That would be for literary historians to figure out. Contemporary artists like us must start with ourselves. Myself and perhaps 99 percent of modern Chinese writers may not necessarily come up with anything remarkable. But if we all work hard, we are bound to produce something great.

Nationalism: The CPC's Lane Card

In this sense, modern history is over as far as artists are concerned, not chronologically but figuratively. The final collapse of the communist system and the ultimate demise of one-party autocracy are no longer in doubt. No matter what the CPC leaders do, history has turned a new page. What remains to be figured out is how to rebuild life faced with the painful legacy of totalitarianism. In the case of intellectuals and artists, the task is to remake the soul of the nation. Truly my heart does not seem to belong in real-world politics any longer, but is centered on the future. I keep thinking: What should we do with the vast spiritual wasteland? It seems that

without the effort of several generations, it would be extremely hard to heal the spiritual and moral scars left behind by Mao Zedong's autocratic system. What can I do in the great undertaking of national reconstruction? I want to write, I want to do justice in words to the suffering, to the glory of human nature that shone forth amid the suffering, to the land. To be able to do that is the vocation and rare privilege of a writer.

The centenary of Mao Zedong's birth should be commemorated. The reason is that although he has died, he continues to hurt the people of this world. While still alive, many a time did Mao Zedong, self-consciously and with a deliberate air of casualness, talk about being denounced posthumously. Had he examined his conscience, in fact, he would have realized he was bequeathing to us a backward, impoverished and autocratic China, conditions that would not cease to exist upon his death. Take the recent campaign for the right to host the Olympic Games, for instance. In the glistening tears of the Chinese people, I shuddered to rediscover the defunct spirit of the era when we practiced self-imposed isolation, when we "relied on our own effort and worked hard for the prosperity of the country." I could still recall the wave of nationalist fervor whipped up in our hearts by the artificially manufactured enemies of "imperialism, revisionism, and counter-revolutionaries," by the false idea that somebody was hell bent on subjugating China, and by the notion that we must be "ready to fight at all times." When they successfully exploded an atomic bomb or carried out a satellite experiment, we celebrated wildly through the night. Only years later did we realize that the kind of nationalism fired up by Mao Zedong was bogus; what was real was his ambition to be a world leader. Today, the ideology of communism has collapsed. Just about the only card that Deng Xiaoping has left to play to incite the masses is nationalism. Things have gotten this bad. Still Mao Zedong continues to live and one can hold on a little longer by copying his tricks.

Passing of Mao Zedong's Era Irreversible

In another sense, Mao Zedong, having passed into history, is gone beyond the point of recall. It is in this sense that Mao Zedong and his era are being mocked. When overseas exiles get together, they often burst into song, saying tunes of the Mao Zedong era because they have no other songs to sing, given the all-embracing monopoly of communist culture. Some songs remind us of our youth, wild and full of suffering. In fact, in the case of some songs, just singing them is an act of mockery; we inject a vaccine into a human body only after it has ceased to be toxic. Only after the myth has been exploded can songs like "A Golden Sun over Beijing" and "Nannei Wan" become mockery. Now that his halo has faded, God died. We should add this point when we discuss "Mao fever."

This is true of so many things. Look at a thing from another angle and it means something yet more profound. Take, for instance, the fact that everybody on the mainland today is going into business and shunning

politics. You can interpret this phenomenon in any one of a number of ways, all of them plausible. But may we not also call this the broken heart which has lost the courage to live? Long have the people become disillusioned with tinkering with the political system within the framework of one-party dictatorship. Complaints being heard everywhere, popular feelings running high... those are the signs that there is still hope. When you hear silence all round, the dynasty has truly run out of luck.

I have not written anything for KAIFANG for a long while. This time I promised to do so only to go back on my word subsequently. I could only write and apologize in the hope that Jin Zhong and the other friends would forgive me. The curtain has gone up on the battle by the Hong Kong people to defend press freedom. The best is yet to come. The exiles in Princeton and myself deeply admire the editors and reporters who fight for freedom once press freedom is finished, so is everything else. Fortunately Mao Zedong has become part of history; the current trend cannot be resisted. At worst this will be nothing more than a brief and farcical setback in modern Hong Kong history. A few days ago Situ Hua [0674 1778 5478], Liu Huiqing [0491 1979 0615], and others were in Princeton to attend an international conference on Hong Kong. Before they departed for home, we all got together at Liu Binyan's [0491 6333 7159] house and had a good time, talking about Hong Kong, its people, its future. The friend who gave them a ride to the airport was not familiar with the way to the freeway, so I led the way. When the freeway came into view and it was time to part company, we could not stop to bid farewell because the flow of traffic was so heavy. So I blew my horn to salute them and as a way of saying goodbye. To my surprise I beeped my horn four times, a faux pas in a country where people drive in silence. The reason is quite simple. I have deep feelings about Hong Kong and its people.

Best wishes,

Zheng Yi, Princeton, 31 October.

Zhang Zhuoyuan on Developing Socialist Market
94CE0221A Beijing CAIMAO JINGJI [FINANCE AND
TRADE ECONOMICS] in Chinese No 10, 11 Oct 93
pp 3-7

[Article by Zhang Zhuoyuan (1728 0587 0337): "On Nurturing and Developing a Unified, Open, Competitive, and Orderly Market System"]

[Text] I. Well-Developed Market System Is Basis of a Normal Socialist Market Economy

To set up a socialist market economic system, we must nurture and develop a market system. A well-developed, perfect market system is the basis of a normal socialist market economy. Without a well-developed, perfect market system, we cannot begin to talk about converting to the market economy, nor can we successfully develop a socialist market economy. The essence of the restructuring of China's economic system lies in developing the

commodity economy and market relationships and expanding the role of the market mechanisms, so that the factors of production can change according to the law of value and the supply and demand conditions and find their own way into the more efficient industries and enterprises, and in turn the in-demand trades and industries and advanced enterprises can undergo rapid development, while the unwanted trades and industries and backward enterprises are squeezed out and even eliminated, so that society as a whole can achieve optimal allocation of resources.

A market system that meets the needs of the development of the socialist market economy must necessarily be a unified, open, competitive, and orderly market system and a system that is fairly well structured.

To be unified, we need uniform market rules and regulations as well as policies. We must smash all types of artificial blockades, overcome market obstacles, and create a nationwide great circulation, great market pattern.

To be open, we must open up internally—open up the provinces and municipalities and the localities, and we must open up externally—open up to the outside world and link the domestic markets with the international markets.

To be competitive, we must have an environment to accommodate complete and fair competition. We must oppose monopoly, especially administrative monopoly, and oppose racketeering; but at the same time, we must avoid cutthroat competition.

To be orderly, all market activities must be put on a standardized, legalized track so that all transactions are open and all deals are fair and there are laws to abide by and rules to follow, creating an orderly market.

To nurture and develop the market system, we must set up a proper and complete market structure and develop other types of markets at the same time. Market construction must meet the objective needs of the economy so that "the development of every market enlivens a sector of the economy and enriches some of the people." We must avoid the situation where after we make a great effort to set up a market, there is no market participation and few market transactions. We must rectify the chaotic situation in the market where: "You build a market, then I build one too; since you control a market, I want one too; because you give your permission, I will too; your market is big, but mine is even bigger." We should develop not only commodities markets but also capital goods markets. We must not only help the domestic market flourish but also develop international markets. We must not only develop spot markets but also gradually set up futures markets (We should set up commodities futures market before we set up financial futures markets.) We should develop not only markets for tangibles but also markets for intangibles, and we should set up tender and auction markets. From another perspective, developing the market system involves two areas: One is to set up the hardware system which includes market facilities, warehouse facilities, and

railroads and highways. The other is the software system which includes management, information, telecommunications, and laws and regulations. When the government nurtures and develops the market, it should pay attention not only to the hardware system, but more importantly, it should develop the software system and establish a proper framework.

II. Price Reform is the Key to the Formation of the Market System

At the heart of the market mechanism is the pricing mechanism. Price reform is the key to market development and the creation of the market system. The market's role in allocating resources is mainly guided by and achieved through the market prices and their changes. To set up a socialist market economic system, we must deepen price reform, set up a market price system that is regulated and controlled at the macro level, and give full play to the role of the market mechanisms.

After 15 years of price reform, China has made substantive progress in this area. Ninety percent of the consumer goods have been decontrolled and are now regulated by the market. The double track pricing of capital goods is fast merging into a single track, and most of them have adopted the market's single track price. After rectification and decontrol, the price of services has become more reasonable; the process of marketizing the price of factors of production has also begun. Meanwhile, a new price regulation and control system is gradually being set up: For example, the comprehensive use of fiscal and monetary measures to control the overall price level has produced some results, and we have accumulated some useful experience; we have set up a reserve system for important goods and materials which can be used to suppress market prices; more than a dozen provinces and more than 60 cities have set up price regulation funds for key products; and we also have promulgated laws and regulations to regulate pricing behavior.

Price reform has clearly improved the once seriously distorted pricing structure. The long-depressed relative prices of agricultural products and basic industrial products have been raised: Comparing 1992 to 1978, agricultural product procurement price has increased 176.5 percent; the retail price of rural industrial products has increased 83.2 percent; prices of excavated products have increased 165.7 percent; raw industrial materials, 150.2 percent; processed industrial products, 114.8 percent. More than 95 percent of the imported commodities are using the agent system, and domestic market prices have linked up with international market prices.

Even now, price reform is not yet complete. The saying that price reform has successfully climbed ten-thousand mountains is not exactly true. Although market mechanisms and pricing mechanisms now play an important role in regulating production and demand, price reform is still an arduous task. There are still no market prices for factors of production, and therefore the market's basic role in allocating resources is constrained. Some

important factors of production are still under the double-track pricing system; the task of merging tracks has not yet been accomplished. The domestic market prices of some products still deviate significantly from international prices, and as a result, we cannot use comparative cost as a basis to regulate their import and export to improve foreign trade efficiency. The price regulation and control system is unsound, and we have few material means to keep the market in line, so that when the market price of some products begins to fluctuate, we cannot effectively apply macro regulation and control measures and reduce the magnitude of price fluctuation by means of expanding or contracting product circulation, regulating import and export, or making use of the market regulation fund and so on.

To promote market development and give full play to the role of the market mechanisms and further develop the market system, we must accomplish the following price reform tasks:

Within the next three years, we should decontrol the prices of goods and services that are competitive. This also means closing the double-track pricing system for factors of production (the competitive portion) by shifting to the market price track.

Within the next three to five years, we should sort out and readjust the government-set prices of goods and services. The focus is on raising the prices of basic products and services.

In the near-term, we should merge the yuan's double-track prices and implement a variable exchange rate system.

Domestic and foreign market prices should be pegged. Prices of commercial goods should link tracks first.

We should accelerate the process of marketization of capital, land, and other key factors of production.

We should further establish and perfect the price regulation and control system that focuses on keeping the product price level relatively stable (with annual increases not exceeding 10 percent) and the prices of important commodities relatively steady.

We should promulgate and perfect laws and regulations that guarantee the normal functioning of the market price system and set up a perfect and open market information network.

III. Focus on the Development of Markets for Key Factors of Production

Henceforth, when we further develop and perfect markets for goods, we must also focus on the development of markets for factors of production.

At the end of 1992, nationwide, we had more than 1,000 wholesale capital goods markets, more than 1,000 wholesale markets for industrial consumption goods, more

than 1,600 wholesale markets for agricultural and sideline products, and nearly 90,000 township country fair markets, and some important commodities exchange markets experimenting with futures exchange have also begun to emerge. In the future, as needed by the development of market economy, we should set up some standardized, nationwide wholesale markets and exchanges for industrial and agricultural products in localities where important commodities are produced, sold, or collected and distributed, and on that basis, we can choose a handful of products to test the commodities futures market. In the near-term, we can concentrate efforts on setting up proper futures markets for grain, cotton, oil, nonferrous metals, and crude oil, and we should have strict regulations and gradually link these markets with the international market network. We should reform the existing commercial and commodity circulation systems and gradually create a wholesale system and a retail system that integrate large, medium, and small enterprises; and that combine and mix different economic formats as well as different operating styles. A perfect commodity economy should be a large, open system where all kinds of commodities can circulate freely across industrial sectors, regions, and national boundaries. This system should be able to link the domestic and foreign markets and provide strong incentives as well as pressure to improve the quality of the nation's economic activities and promote the development of the socialist market economy.

If the market mechanisms are to play a basic role in allocating resources, the factors of production must be able to circulate in the market. In the near-term, we must put the emphasis of market construction on nurturing and developing the fledgling capital goods markets.

Capital is the most precious, the most scarce resource in a market economy. The capital market is the hub of the whole market economy. The key to realizing the optimal allocation of resources lies in developing a perfect capital market and increasing the use-efficiency of capital. In a capital market, there are two ways to raise capital—directly and indirectly. In the near to intermediate-term, China will still rely on the indirect method of raising capital, but at the same time, we will actively develop various ways to raise capital directly. As for the proportion of funds raised directly and indirectly, it cannot be determined artificially; it can only be determined amid competition. Today, the development of the capital market is plagued by lack of discipline and disorder which have given rise to all kinds of reckless fund gathering and distribution activities. To develop the capital market, we must gradually let the market set the interest rates and promptly end the double-track and multiple-track systems. The central bank must be able to regulate market rates by taking control of the basic interest rates. China already has a fledgling money market. Henceforth, using existing regional short-term inter-bank loan markets as base, we should smash regional blockades, standardize market management, and form a nationwide unified money market. We

should develop bill discounting and mortgage business, further develop the short-term government bond market, and allow the central bank to engage in open market operations to buy and sell government bonds.

Land is a scarce and non-renewable resource. We must treasure it and put it to proper use. We must take a step farther to implement a compensated, limited-term land-use system and develop the land market to give play to the market mechanisms' role in optimizing the allocation of land resource. In the urban market system, the state should monopolize the primary market, but the secondary market should be decontrolled. Today, whether in the primary or the secondary market, we still do not have the mechanism that lets the market set the price of land-use rights. Henceforth, the sale and transfer of commercial land-use rights should be conducted through public tender or auction to make the process more competitive and transparent. In the long-run, we should concentrate on setting up a "posted-price" system to guide and standardize land prices, and it can also be used as a basis for levying land tax. By levying a real estate business tax, income tax, and value-added tax, the state need not lose its share of profit generated by land when land-use rights are being transferred or traded. We must crack down on illegal speculation of land, reckless jacking up of land prices, and other activities to exact exorbitant profit, and we must not funnel too much money into the land market. In turning over agricultural land to non-agricultural use, we must comply with the land-use plan and proceed with restraint.

We should gradually set up a labor market. First we must acknowledge the market mechanisms' basic role in the proper allocation of resources. To this end, we must change the wage system. The state should no longer serve as employer or assigner of jobs. Wages should be determined by labor productivity rate and supply and demand in the labor market. Payment for labor should be in monetary terms. We should permit and even guide the proper circulation of the labor force and smash the labor market's regional boundaries in a planned and systematic way to gradually eliminate the iron rice bowl, the iron-clad wage system, and the iron chair—guaranteed employment.

We must further develop the technologies and information markets. Developing the technologies market is of great importance to the commercialization and industrialization of advanced and new technologies, to the promotion of scientific and technological advancement, and to the orientation of scientific and technological work toward the main battleground of economic construction. We must promulgate a perfect set of laws and regulations to protect intellectual property rights and protect the transfer of the fruits of science and technology. Developing the information market is an inherent requirement in the establishment of a well-developed, mature market system. Henceforth, the technologies, information, and consultation service industries must operate like enterprises. Their services should be society-based, and their products and

services should be commercialized, and we should bring in the competitive mechanisms.

We should also vigorously develop a market for property rights and a housing market and so on. We must control the cost and price of housing, so that most urban residents can get into the housing market.

IV. Vigorously Develop Market Intermediaries

The vigorous development of market intermediaries is an important link in the normal functioning and the healthy development of the socialist market economy.

The better developed the modern market economy, the broader the economic entities' market ties, and the busier and more specialized and technical the market exchange activities, the more we need to have qualified market entities, different types of developed markets, and stringent market rules and regulation; on top of that, we must also set up and develop market intermediaries to serve those taking part in the market activities and to promote the orderly conduct of market activities.

Currently, the kinds of market intermediaries we need to develop include the following: Self-disciplinary institutions, such as various types of trade federations and trade associations, that coordinate and constrain the behavior of personnel in enterprises and trades and industries who participate in market activities; brokerages, mortgage companies, and auction houses that directly engage in market transaction services; accounting firms, auditing firms, law firms, appraisers—especially land appraisers—who are there to guarantee equitable market transactions and fair competition; institutions that provide research, consultation, and information services to promote market development; price-quotation systems, settlement centers, materials allocation and delivery centers, and warehouses; arbitration organs to settle market disputes; quantity measurement, quality control, product inspection, and other production service agencies to supervise market activities; a whole spectrum of circulation intermediaries, such as rural circulation associations, that help develop rural markets and help the scattered peasants get into the market; employment agencies and personnel exchange centers that promote the circulation of well-trained and untrained workers.

Market intermediaries generally should be created from the bottom up, by enterprises themselves, on a voluntary basis. Their main functions are to provide their member enterprises with information, advice, and legal and business services; train specialized personnel; open up international communications channels; represent the member enterprises' and individuals' interests in settling business disputes. They draw up guild regulations and trade pacts according to market regulations, impose collective self-discipline, supervise market transactions, fight unfair competition, and guarantee normal production and marketing order, and these include conscious compliance with the state's quality standards, refusal to

engage in improper competition, and refusal to enter into collusion to set monopolistic prices and divide up the market. They smooth the relationship between enterprises and government, so that the trade federations and trade associations become self-coordinated.

PROVINCIAL

Hebei Harnesses Floodwaters for Productive Purposes
OW0901164594 Beijing XINHUA in English
1517 GMT 9 Jan 94

[Text] Beijing, January 9 (XINHUA)—North China's Hebei Province has achieved success in its efforts to utilize floodwaters diverted from the Yanghe River.

Research into the project, which was undertaken by the Hebei Provincial Institute of Water Conservancy and the Yanghe beach development headquarters of Xuanhua County, has utilized the excess water to serve local farmers, according to local officials.

The achievement has passed a provincial appraisal and is believed to have reached the international advanced level.

The Yanghe River is a major tributary on the upper reaches of the Yongfing River. In the rainy season floods used to wash down the river large quantities of silt, destroy houses and leave the farmland along the river banks seriously damaged. In particular, a huge amount of silt used to be washed into the Guanting Reservoir, which supplies water to Beijing.

In 1989 researchers began to make observations and collect data from experimental zones, aiming at making scientific use of the floodwaters.

After some four years of research and experiment they helped local farmers to build 3,000 m [meters] of dikes and 46,100 m of canals, and used the floodwaters to irrigate 8,226 ha and grow 160,000 trees.

So far, the efforts have brought about increases in the outputs of maize and rice in the locality, and stopped 1.62 million tons of silt from entering the Guanting Reservoir.

Hebei Promotes Rural Industry
OW1201040794 Beijing XINHUA in English
0339 GMT 12 Jan 94

[Text] Wuhan, January 12 (XINHUA)—Central China's Hubei Province has taken advantage of its scientific and technological strength to promote the development of rural industry.

Last year, the total output value of its rural industry reached 90.8 billion yuan and the profits and revenues were 6.22 billion yuan, increasing by 68.5 and 51.14 percent over the previous year, respectively.

A government official in charge of rural industry noted that the output value and profits brought about by new technology programs and technological transformation projects were some 4.7 billion yuan and 620 million yuan.

In order to help the rural enterprises to draw on science and technology in the development, Hubei provincial Commission of Science and Technology sponsored a "Golden Bridge Program" which encourages various kinds of scientific and technological associations to aid rural enterprises.

Last year, rural enterprises in Hubei completed 5,352 scientific and technological projects with investment of more than one billion yuan.

The rural enterprises in Zhongxiang city, one of China's phosphorus production bases, have shifted from selling ground phosphate rock to processing and selling of phosphate fertilizer, and to the phosphate chemical industry. Their output value increased approximately 100-fold.

Jilin Development Pace Shows 'Increase'
OW0901164294 Beijing XINHUA in English
1510 GMT 9 Jan 94

[Text] Changchun, January 9 (XINHUA)—Northeast China's Jilin Province accelerated its pace of reform and opening up in 1993, and gained strong momentum for further economic development.

Statistics show that the gross national product of Jilin last year reached 55 billion yuan-worth, an increase of 14.3 percent over the previous year.

The total retail volume of commodities topped 35 billion yuan-worth—a growth of 18 percent over 1992.

The province has taken bold measures to transform the operational mechanisms of its industrial enterprises, and more and more state-owned enterprises are being granted decision-making powers in management and operation, local officials said.

Further reform measures have been implemented in the personnel and income-distribution systems in about 2,600 local state-owned enterprises. Hundreds of state-owned enterprises have been auctioned off or sold.

The number of share-holding enterprises in Jilin province has reached 371 so far.

Meanwhile, the provincial government has also attached much importance to the reform of the price system. The prices of coal, refined oil, cement and timber are now under market regulation.

The number of industrial products with controlled prices have been reduced from 23 to 12.

As one of the country's largest grain producers, Jilin has increased its agricultural input and made special efforts to lighten the burden on local farmers.

In spite of being stricken with serious natural disasters, the province still managed to get a bumper harvest last year, with grain output totalling 19 billion kg and a growth of 7.1 percent in the average income of farmers.

Taking advantage of the international exploration of the Tumen River delta, Jilin has expanded its economic co-operation and exchanges with foreign countries, especially neighboring countries in northeast Asia.

The export turnover of Jilin last year topped 1.6 billion U.S. dollars-worth, and the province actually utilized 650 million U.S. dollars in foreign investment, both substantial growths over the previous year.

Meanwhile, the improvement of transportation and communication facilities, and the speeding up of infrastructure construction have created a better economic environment in Jilin, the officials said.

Shaanxi's Industrial Output Grows in 1993

HK1101124094 Xian Shaanxi People's Radio Network
in Mandarin 0010 GMT 2 Jan 94

[Text] Shaanxi province's industrial sector maintained relatively rapid growth throughout 1993. Industrial enterprises at and above the township level in the province turned in a gross output value of 51.156 billion yuan for the period from January to November, an increase of 15 percent over the corresponding period of the previous year. It is estimated that the gross industrial output value of enterprises at and above the township level in Shaanxi for the whole year will reach 56.3 billion yuan, and the gross industrial output value contributed by all the industrial enterprises in the province will reach 75.4 billion yuan, an increase of 22.4 percent over the previous year.

Industrial production in 1993 shows the following principal special characteristics: 1) The nonstate-owned industrial sector grew drastically. For the first 11 months of 1993, nonstate-owned enterprises at and above the township level turned in a gross industrial output of 11.377 billion yuan, an increase of 38 percent over the corresponding period of the previous year, and 28.3 percent points higher than the growth registered by state-owned industrial enterprises. Of these non-state-owned industrial enterprises, industrial enterprises under collective ownership recorded a growth of 32.9 percent, while other nonstate-owned industrial enterprises enjoyed a growth of 90.7 percent. 2) Central-government-owned enterprises enjoyed a growth higher than province-, prefecture-, city-, and county-owned enterprises did. In the first 11 months of 1993, central-government-owned industrial enterprises turned in a gross industrial output value of 15.344 billion yuan, an increase of 14.6 percent over the corresponding period of 1992, whereas the province-owned industrial sector and its prefecture-, city-, and county-owned counterparts

only enjoyed an increase of 10.3 percent and 4.7 percent respectively. 3) The growth in heavy industry was apparently higher than the growth in light industry. Pelled by the increase in investments in fixed assets, heavy industrial production led light industrial production all the way in terms of growth in production output. From January to November, the gross output value of heavy industry increased by 19.7 percent over the corresponding period of the previous year. In addition, the production and market sectors coordinated with each other quite well. From January to November, the sale volume fulfilled by industrial enterprises at and above the township level totaled 47.579 billion yuan, an increase of 16.1 percent over the corresponding period of the previous, and 1.1 percentage point higher than the growth in the gross industrial output value.

FINANCE, BANKING

Financial Situation Improved 'Markedly'

94CE0235A Beijing JINRONG SHIBAO in Chinese
9 Dec 93 p 1

[Report by Yi Xian: "Statistics on China for Third Quarter of 1993 That This Newspaper Has Been Authorized To Publish Indicate That Macroeconomic Regulation and Control Produced Results, That Financial Operations Were Getting Normal—Increase in Money Release Slowed Down, Urban and Rural Savings Increased Significantly, Needs of Critical Projects for Credit Funds Were Satisfied, and State's Foreign Exchange Reserves Increased"]

[Text] Beijing, 8 December—According to the financial statistics that the People's Bank of China authorized this newspaper to publish today, with the gradual implementation of the state's macroeconomic regulation and control measures, the financial situation improved markedly in the third quarter of 1993; the prominent manifestations were: The money release decreased from the same period last year; urban and rural savings increased significantly; the work of cleaning up inter-bank loans in violation of regulations produced marked progress; the specialized banks' disbursement fund rate and payment capacity grew gradually; the state's foreign exchange reserves increased slightly over the end of last year, and the exchange rates of the renminbi (RMB) stabilized at a basically proper level. The improvement in the financial situation contributed to the sustained, rapid, and healthy development of the national economy.

Increase in the money release slowed down. In the first half of the year, because of the overly rapid increase in investment, large amounts of money were released continually. In the first half of the year the net money release amounted to 52.8 billion yuan, representing an increase of 55 billion yuan over the same period last year. With the implementation of macroeconomic regulation and control measures, the situation of excessive money release improved on a monthly basis after the beginning of July. In July-September the cumulative net money release amounted to 21 billion yuan, representing a

decrease of 19.2 billion yuan from the same period last year. The main reason was the increase in the credit and commodity recovery capacities. Consumption funds increased in a calm manner.

Urban and rural savings deposits increased significantly, thereby providing stable sources of funds for banks' support of economic development. In January-September the net growth in urban and rural savings deposits amounted to 232.1 billion yuan, representing an increase which was 57.6 billion yuan larger than the same period last year. In this respect, the third quarter saw an increase of 107.7 billion yuan, an increase which was 66.6 billion yuan larger than the same period last year. The main reason was that the central bank substantially raised the interest rate for deposits twice, thereby arousing residents' enthusiasm for savings; in this way residents' savings deposits which had declined for a time grew again, thereby stabilizing banks' savings sources.

State banks increased their credit supply, thereby forcefully helping satisfy the key needs of the development of the national economy. In the first half of this year bank lending of various types increased by only 99.3 billion yuan, representing an increase which was 36.3 billion yuan smaller than the same period last year. In the third quarter, after the banks adopted measures "to eliminate irregular practices and open legitimate channels," the People's Bank of China issued 100.8 billion yuan in loans to specialized banks; over the same period state banks' loans of various types to enterprises grew by 100.3 billion yuan, representing an increase which was nearly 30 billion yuan larger than the third quarter of last year. Those funds were mainly used to satisfy the funding needs of the state's key construction projects and produced good results.

Specialized banks' disbursement funds grew rapidly, thereby alleviating payment difficulties. After the beginning of July, the situation where specialized banks' disbursement fund rate was lower the legally required disbursement fund rate was changed through cleaning up inter-bank loans in violation of regulations and vigorous efforts to secure deposits. By the end of September specialized banks' disbursement fund rate had exceeded 7 percent, and banks at various levels had increased their payment capacity.

The state's foreign exchange reserves increased. At the end of September the state's foreign exchange reserves totalled \$19.62 billion, representing an increase which was \$3.617 billion smaller than the same period last year; but the rate of decline was lower. The amount of foreign exchange reserves represented an increase of \$177 million over the end of last year, thereby changing the situation of net decline in the previous several months. The RMB exchange rates were stable and kept at a basically proper level, thereby providing a good environment for foreign trade.

Since the beginning of the third quarter our country's macro financial control has produced results, and financial operations are getting normal; the financial disorder which

existed for a time has been resolved. The trends toward overly rapid increases in investment and prices have been suppressed. In carrying out macro financial control in the period to come, we must both consolidate the results achieved and create conditions for the various important reforms to be carried out by the state next year, so as to promote the sustained, rapid, and healthy development of the national economy.

INDUSTRY

Output of Textiles in December

HK2001111294 Beijing CEI Database in English 20 Jan 94

[Text] Beijing (CEIS)—Following is a list of the output of textiles in December 1993, released by the State Statistical Bureau:

| Item | Unit | 12/93 | 12/92 |
|-----------------|----------|---------|---------|
| Yarn | 10,000t | 41.07 | 41.42 |
| Yarn | 10,000pc | 229.00 | 231.00 |
| Cloth | 100m.m | 17.06 | 15.57 |
| Of: Pure cotton | 100m.m | 10.71 | 9.49 |
| Chemical fiber | 100m.m | 4.44 | 4.40 |
| Silk | 10,000t | 0.95 | 0.89 |
| Silk fabric | 100m.m | 2.59 | 2.41 |
| Woolen fabric | 10,000m | 3249.00 | 3171.00 |
| Knitting wool | 10,000t | 3.48 | 3.81 |
| Garment | 100m.pc | 4.89 | 3.71 |

Notes: t—ton, pc—piece, m.m—million meter, m.pc—million piece

Output of Textiles Jan-Dec 1993

HK2001111394 Beijing CEI Database in English 20 Jan 94

[Text] Beijing (CEIS)—Following is a list of the output of textiles in January-December 1993, released by the State Statistical Bureau:

| Item | Unit | 1-12/93 | 1-12/92 |
|-----------------|----------|----------|----------|
| Yarn | 10,000t | 487.09 | 483.10 |
| Yarn | 10,000pc | 2711.00 | 2688.00 |
| Cloth | 100m.m | 181.78 | 172.26 |
| Of: Pure cotton | 100m.m | 110.15 | 100.28 |
| Chemical fiber | 100m.m | 51.82 | 53.27 |
| Silk | 10,000t | 9.17 | 7.22 |
| Silk fabric | 100m.m | 28.44 | 24.42 |
| Woolen fabric | 10,000m | 27855.00 | 29283.00 |
| Knitting wool | 10,000t | 31.25 | 29.96 |
| Garment | 100m.pc | 34.78 | 28.51 |

Notes: t—ton, pc—piece, m.m—million meter, m.pc—million piece

FOREIGN TRADE, INVESTMENT

Implementation of Textile Tracking System Urged
94CE0230A Beijing GUOJI SHANGBAO in Chinese
20 Nov 93 p 1

[Article by Fang Pei (2455 0160): "Urgent MOFTEC Notice Demands Nation Take Firm Control of Assignment of Textile Manufacturer Designators; Textile Export Quota Controls Will Be Further Heightened"]

[Text] The Ministry of Foreign Trade and Economic Cooperation [MOFTEC], in the latter half of September, issued an urgent notice to economic and trade departments throughout the nation demanding that prior to 30 November they complete the task of assigning textile manufacturer designators (MIDS) in their region. Economic and trade departments in every locality are presently urgently carrying out this task, and some provinces have completed the task.

National assigning of textile manufacturer designators is an important condition for the establishment of an export license approval system to export textiles to the United States. The establishment of an approval system is significant for raising China's export quotas for nations that limit textile imports, especially the United States. This measure can more effectively combat the illegal activity of fabricating false licenses and combat illegal textile transshipment and ensure the legitimate interests of export enterprises.

Manufacturer designators are made up of fifteen digits and are mainly used to clarify which manufacturers have textile exporting licenses, and to prove the original place of production of goods.

Textile manufacturers are state, cooperative, individual, partially or wholly foreign-owned, and other types of manufacturers engaged in the processing and manufacture of textiles, clothing, accessories, and other products included in bilateral textile agreements. It is reported that some local economic and trade control departments only assign the designation to manufacturers that provide their region with textile export goods. Therefore, some manufacturers that provide goods for export enterprises outside of their region and have the capability to provide export goods are left out of the designation. This leads to some export licenses not being issued on schedule because they lack a designated manufacturer, causing an adverse effect on normal exports. Therefore, all localities' economic and trade departments, based on MOFTEC's requirement, should organize all manufacturers and not designate some manufacturers.

The economic and trade control departments of all localities are the departments responsible for organizing all textile manufacturers in their region as designated manufacturers. In accordance with the demands of MOFTEC, all local economic and trade control departments should direct and oversee the designation of their region's textile manufacturers, and the collection of data

and reporting to MOFTEC by all local and county departments responsible for economics and trade.

Once the manufacturer designation is set up and recorded, it should not be arbitrarily revised. The designation should be controlled by a person with special responsibility.

Every export enterprise, when applying for a license to export textiles to the United States, must enter the manufacturer designation for the goods in the permit in column 13 and enter the designation in the MIDS column when filling out the visa. Otherwise, the certificate will be considered false. Thus, it is mandatory to use the manufacturer designation.

Presently, the establishment of the manufacturer designation is entering the final stage and economic and trade departments from every locality should seize the opportunity and seriously and meticulously accomplish this task. Units that still have not completed the task when the time expires, after China implements the approval system for licenses to export textiles to the United States, will not receive certification for the United States. This will create a huge economic loss for export enterprises. Thus, the economic and trade departments of every locality should energetically strive to overcome various difficulties and complete the task of establishing textile manufacturer designations on time throughout the nation.

Foreign Capital Utilization Situation, Focuses

94CE0229A Hong Kong CHING-CHI TAO-PAO
[ECONOMIC REPORTER] in Chinese No 2341,
18 Oct 93 pp 24-25

[Article by Liu Yajun (0491 0068 6511): "Overview Of Current Foreign Capital Utilization"]

[Text] Utilization of Foreign Capital: Current Situation

A total of 43,600 foreign-funded investment projects were launched nationwide in the first half of this year, an increase of 230 percent over the same period last year. The utilization of \$58.8 billion in foreign capital was agreed upon, and the amount of foreign capital actually utilized was \$9.4 billion, up 300 percent and 180 percent, respectively, over the same period in 1992, roughly equal to the total for the entire year last year and about half of all foreign-funded investments for the previous 13 years. As of late June 1993, the grand total of foreign-funded investment projects nationwide stood at 134,423, actually utilizing \$43.75 billion in foreign capital. Over 50,000 foreign-funded enterprises have gone into production, most of them doing well.

Hong Kong, Macao, Japan, the United States, Taiwan, Italy, Germany, and South Korea continued to be the leading investors in China, primarily its coastal provinces and municipalities. Nevertheless, China's inland areas have been catching up fast. Among the various sectors, industry continued to attract the most capital,

especially electronics communication equipment, machinery, chemical, and electrical appliance industries. Meanwhile, however, investment in the tertiary sector posted faster growth, with the scale of foreign investment increasing steadily. Agreed-upon foreign investment averaged \$1.35 million per project in the first half of this year, a gain of 22 percent over the corresponding period a year ago.

Exports and imports by foreign-funded enterprises in China continued to grow steadily in the first half of 1993, with a total value of \$24.63 billion, 49.7 percent higher than the same period a year ago and 31.7 percent of the nation's overall imports and exports. Of the \$24.63 billion, exports accounted for \$9.32 billion, up 36.9 percent over the corresponding period last year, and 21.5 percent of the nation's total exports. Most leading exports were found in light industry, textile industry, and electrical machinery industry. Imports were worth \$15.31 billion, an increase of 58.7 percent over last year and 37.7 percent of the nation's total imports. Leaving aside investment-related imports, there was a rough balance between exports and imports made necessary by their operations. Foreign-funded investment enterprises nationwide remitted overseas \$3.39 billion in foreign exchange in the first half of this year, at the same time moving \$1.676 billion in foreign exchange to China, for a net outflow of \$1.714 billion. Overall foreign-funded investment enterprises had a foreign exchange surplus.

That foreign investment in China maintained such a strong momentum when the rest of the world was in the grip of an economic recession fully testifies to China's political and social stability and the soundness of its investment climate. On the other hand, China is a latecomer to attracting foreign capital, so foreign investment still accounts for a significantly smaller share of China's total fixed assets and gross domestic product than in other fast-growing developing nations. Since most foreign capital is concentrated in processing industries, the overall quality of our drive to attract foreign capital has yet to be improved.

Focuses of Drive To Attract Foreign Capital

In the wake of the deepening of economic structural reform and changes in the global economic environment, China will adjust its policies after reviewing its experience for the past 14 years so as to achieve new breakthroughs in the attraction of foreign capital. Judging from the string of policies the country has adopted recently, we see that China will concentrate on the following at least in its drive to attract foreign capital:

1. Continue to work hard to improve the investment climate, particularly the intangible investment climate. By and large China has created the framework of a body of laws on foreign capital utilization; it has signed an investment protection agreement with more than 55 nations and other agreements to avoid double taxation with over 20 nations. All that provides basic legal safeguards for the foreign investor. Still there is much

room for improvement on the legal front. To better the legal environment, China will continue to improve its laws and regulations, making them more coordinated, more open, and more workable; tighten law enforcement; and render its laws and regulations uniform nationwide, all of which is most critical to improving the investment climate. It is also essential that government departments improve their management methods. The procedures for reviewing and approving a project are currently being simplified. Some localities have set up a single body to review and approve project applications from foreign investors. In other localities, all the departments involved have decided to work together, for instance, by setting up joint offices and holding joint meetings, to examine and approve projects, thus streamlining the examination-and-approval process and enhancing work efficiency. Vigorous steps are being taken by the government to encourage the establishment of a host of service-providing organizations, such as consulting, legal, accounting, and property assessment services, to make available a complete lineup of social services.

2. China's open policy began in its coastal region, which had a stronger economic foundation and a long history of overseas trade, and gradually spread to the rest of the country, from south to north, from east to west. Practice proves that this progression is sound and inevitable and has played a significant historical role. Be that as it may, with years of development behind it, the open policy today should be applied across the board. The coast and the interior must develop in a balanced manner. Last year China opened up cities along the Chang Jiang, provincial capitals in the interior, and a number of border cities, and took some steps to encourage the interior to utilize foreign capital. Indeed, the interior has made rapid progress in utilizing foreign capital since last year, chalking up an increase rate higher than that of the coast. With its weak foundation and late start, however, the interior still trails the coast; the role played by foreign investment in its economic development remains minuscule. In the future China will gradually replace its policy of favoring some regions with one favoring some industries, which means that even as it continues to promote the utilization of foreign capital in the coast, it will work diligently to create the conditions that would steer foreign investors into the interior by playing up the interior's resource advantage and strong industries. In particular, it would encourage foreign companies to invest in agricultural development, resource development, technology development, raw material industries, and the technological transformation of old-line enterprises in the interior. It would also support foreign firms which want to invest in remote border areas, impoverished areas, and areas inhabited by minority nationalities.

3. Further optimize the industrial structure and widen the range of industries open to foreign investment. After 14 years of development, the industrial pattern of foreign investment has become more and more rational. In the last couple of years, in particular, a host of projects in

the energy, transportation, and high-tech industries went under way across the nation that involved a large amount of capital, utilized advanced technology, and had substantial impact on the national economy. Substantial headway was also made in the tertiary industry. As we pursue foreign capital in the future, we must continue to abide by the principle of balancing development among the primary, secondary, and tertiary industries, with equal emphasis on large, medium, and small enterprises. Special pains must be taken to encourage agricultural technology development projects, infrastructural projects, capital- and technology-intensive projects, export-oriented projects, and projects in basic industries that would turn out more Chinese-made raw materials and parts and components. Export-oriented enterprises along the coast should be encouraged to upgrade themselves by graduating from labor-intensive products to high-tech products with a high added value. China has eased restrictions on foreign investment in the tertiary industry since last year. Now foreign investment is finding its way into finance, insurance, retail commerce, foreign trade, tourism, consulting, information, accounting, advertising, and shipping. China must continue to broaden the reach of foreign capital in the tertiary sector in the days ahead both to meet the needs of economic structural reform and the operation of the market economy at home and to satisfy the objective requirements of rejoining the General Agreement on Tariffs and Trade and acceding to other related international organizations. In industries mentioned above that are already opened to foreign investment, the scope of the pilot projects will be broadened after reviewing the experience, while new experiments will also be launched in areas untouched by foreign investment so far.

4. Diversify the methods of foreign investment. In traditional methods of foreign investment, the investor invests directly by setting up a Sino-foreign joint venture, a Sino-foreign contractual joint venture, or a wholly foreign-funded enterprise. Or he may invest in compensation trade or a processing or assembling project. In recent years, especially since 1992, Sino-foreign shareholding companies have mushroomed, with dozens of them already in operation so far. More than 30 companies are trading special B shares denominated in renminbi on the Shenzhen and Shanghai stock exchanges. The shareholding system has become the way to go for enterprises interested in restructuring in a market economy. Investing in shareholding companies is now a new option for the foreign investor in China and promises to become increasingly important in the long haul compared to traditional methods. Furthermore, as China's financial climate further stabilizes and the Chinese stock market matures, a growing number of companies will issue shares for trading on the market. Foreigners will then be able to invest in China through the stock market, a method of investment that is simple, quick, and convenient in that it allows the investor to move his investment dollars around freely. The foreign investor no doubt will become increasingly interested in

the stock market. To promote the development of Sino-foreign joint venture shareholding companies vigorously but cautiously, the Ministry of Foreign Economic Cooperation and Trade is in the process of drawing up the "Management Regulations for Sino-Foreign Shareholding Companies Ltd."

To encourage large foreign companies that have ample capital resources and advanced technology to carry out their multi-industry interregional investment plans in China, the country has in recent years approved the establishment of a number of investment companies (controlling companies). On behalf of their parent companies, these investment companies carry out their investment plans and manage the enterprises that have been set up. Judging from practical results, the investment company does a better job in helping the investor grasp any favorable opportunity to increase his investment in China. The Chinese government looks upon with special favor multinational companies setting up this kind of outfit in China. Recently an investment seminar for multinationals was jointly organized in Beijing by the Ministry of Foreign Economic Cooperation and Trade, the University of Foreign Economic Relations and Trade, and the United Nations Center for Multinationals. Representatives from the various multinationals who attended the seminar expressed the utmost interest in this form of investment. Those representing some of the most famous companies also asked to set up regional headquarters in China, a request taken very seriously by the government agencies and figures involved.

5. Intensify the management of foreign-funded enterprises already in existence. As foreign-funded enterprises proliferated, it is increasingly essential that China step up their management. The management of foreign-funded enterprises entails, on the one hand, creating a favorable operating environment for such enterprises, especially by nurturing and perfecting the financial, foreign exchange, materials, and labor markets; helping them solve any problem relating to the supply of energy, raw materials, parts and components, and transportation; curbing the arbitrary collection of fees and apportionment of expenses, irresponsible fund-raising, and unjustifiable administrative intervention; and establishing a sound social service system. On the other hand, it means tightening the supervision of foreign-funded enterprises in accordance with the law. Currently the majority of foreign-funded enterprises are established and operate in accordance with the law. Nevertheless, there are some highly problematic enterprises. For instance, a number of them fail to deliver the capital or technology specified in the contract, import inferior technology at high costs, operate beyond the authorized limits, evade paying taxes, infringe upon their workers' legitimate rights and interests, and set up bogus joint ventures. The departments responsible take these problems most seriously and will work out the necessary measures to tighten supervision and management, urge enterprises to operate in accordance with the law, and crack down on illegal operations.

In short, China will be even more diligent in the future in improving the industrial and regional distribution of foreign investment even as it continues to work to attract more foreign capital. It will work harder to improve the quality of foreign investment as well as the economic returns and social benefits of foreign-funded enterprises. This is where the utilization of foreign capital is headed in China.

AGRICULTURE

Guangxi Reports 1993 Grain Output

94CE0257A Chongqing XINAN JINGJI RIBAO
in Chinese 5 Jan 94 p 3

[Summary] In 1993 gross output of grain in Guangxi reached 14,565,000 tons, a 2.65 percent increase over 1992. Early and late rice output declined 151,000 tons from 1992, but corn output increased 241,000 tons over 1992, and other grains increased 286,000 tons.

Sichuan Sets 1994 Goals for Rural Economy

94CE0257B Chongqing XINAN JINGJI RIBAO
in Chinese 4 Jan 94 p 1

[Summary] In 1994 Sichuan Province plans to attain a gross value of agricultural output of 85.6 billion yuan, a 4 percent increase; gross output of grain 43 million tons; cotton 130,000 tons; oil crops 1,480,000 tons, an increase of 141,000 tons; sugarcane 2 million tons, an increase of 193,000 tons; and to remove 68 million hogs from stock, an increase of 620,000 hogs. The gross output value of town and township enterprises should reach 221 billion yuan, a 30 percent increase.

Appraisal of Social Development in 1992

HK2101045894 Beijing LIAOWANG in Chinese No 1,
3 Jan 94 pp 8-11

[By staff reporter Li Shiyi (2621 0013 5030): "The General Level of Social Development in China Steadily Rises—State Statistical Bureau Announces Results of Comprehensive Appraisal of Social Development of Various Localities in 1992"]

[Text] In 1992 the general index of the nation stood at 121 points, which was 11 points higher than 1991, and there was a trend of growth in the general level of social development.

Of all provinces, municipalities, and autonomous regions, the general indexes of 14 provinces and municipalities, including Beijing, were higher than 121 points. The growth rate of the national general index was 10 percent, and those of Anhui and other seven provinces and municipalities ranged from 30 to 11 percent, higher than the national level.

Development in the five major spheres of population, economy, health and medical care, social insurance, and

public security was in the lead. Development in three other major spheres, namely science, technology, and education; environment; and culture and sports was lagging behind.

A negative growth appeared in the development in the sphere of labor, showing a marked imbalance.

The second issue of our magazine in 1992 carried a report entitled "An Effective Move To Promote Social Progress" in which the results of comprehensive appraisal of social development in various localities of China was announced for the first time. The report evoked nationwide concerns and strong repercussions. Now one year has passed. What was the comprehensive level of China's social development in 1992? Had it increased or decreased? Was the development in the 10 major spheres of social life balanced or imbalanced? With these questions in mind, this reporter visited the Social Department of the State Statistical Bureau some days ago and learned that the results of comprehensive appraisal of social development of various localities in 1992 had already come out and there were many new and fresh changes.

Wu Jun, director of the Social Department of the State Statistical Bureau, told this reporter that in 1992 the trend of healthy development continued in the general level of China's social development. According to more than 130 indexes in the 10 major spheres—environment, population, economy, residents' life, labor, social insurance, health and medical care, science and technology and education, culture and sports, and public security, the general index of the comprehensive level of social development in 1992 was 121 points, which was 10 percent higher than that of 1991, or 11 points higher. This fact shows that China's social progress was not divorced from the high-rate economic growth. This is indeed a gratifying fact.

Order of General Indexes of 14 Provinces and Municipalities in the Lead Has Changed

The 14 localities whose general indexes were higher than 121 points, the national average, were: Beijing (189), Shanghai (179), Tianjin (170), Liaoning (156), Jilin (148), Guangdong (142), Jiangsu (140), Heilongjiang (136), Zhejiang (134), Shandong (133), Fujian (129), Hainan (125), Hebei (122), and Shanxi (122).

Those whose general indexes were similar to the national average were: Inner Mongolia (121) and Xinjiang (120).

The general indexes of the other 13 provinces and autonomous regions, except for Taiwan and Tibet, whose statistical figures were insufficient for the calculation, were lower than the national average.

Compared with the results of the 1991 appraisal, the order of provinces and municipalities whose general indexes were higher than the national average also changed. Of them, Jilin rose from sixth to fifth place, Guangdong rose from seventh to sixth, Heilongjiang rose

from 10th to eighth, Fujian rose from 12th to 11th, and Shanxi rose from 14th to 13th, while Jiangsu dropped from fifth to seventh, Shandong from eighth to 10th, and Hainan from 11th to 12th.

Zhejiang and Hebei remained in their original places, ninth and 13th. The changes show that there has been a trend of each trying to overtake the other in striving for social progress, economic growth, and harmonious development of the locality, just like "the Eight Immortals crossing the sea, each showing his or her special powers."

Anhui, Qinghai, and Guizhou Have Roused Themselves To Catch Up

Most of the 14 provinces and municipalities whose general indexes were higher than the national average are in the eastern regions, especially the coastal areas. Benefiting from their faster pace of reform and opening up and from their superior economic and geographical positions, as well as their historical and human resources, they are making great efforts to promote comprehensive social progress in their respective localities with the help of the high-rate economic growth.

What attracts people's attention is that in 1992 the nation's general index of social development increased by 10 percentage points and those of eight provinces and regions were higher than this. Most of them were localities lagging behind in 1991. Of them, the general index of Anhui grew 30 percent, those of Guizhou and Qinghai grew 23 percent, that of Inner Mongolia grew 15 percent, those of Gansu and Ningxia grew 14 percent, that of Hubei grew 12 percent, and those of Xinjiang, Jiangxi, Hunan, Zhejiang, and Shaanxi rose 11 percent.

Compared with the figures published in 1991, we can see that the general indexes of Anhui, Guizhou, Qinghai, Gansu, Ningxia, and Jiangxi were all among the last 20 in the previous year. It is indeed great news that these localities have been promoting social progress at a rate much higher than the national average. The development rates of Anhui, Guizhou, and Qinghai are particularly outstanding. The three provinces can be called the three "dark horses" in China's social development in 1992.

Development in the Five Major Spheres of Population, Economy, Health and Medical Care, Social Insurance, and Public Security Was in the Lead

According to the figures promulgated by the State Statistics Bureau, the level of development in the 10 major spheres of social life in China were fairly high in 1992. The respective indexes for the 10 major spheres are as follows: Environment (12); population (13); economy (17); residents' life (13); labor (12); social insurance (11); health and medical care (11); science, technology, and education (13); culture and sports (10); and public security (11).

Compared with the figures of 1991, the development in five major spheres was more attractive in 1992, with indexes growing by more than 10 percent:

The growth rate of the population index (comprising 12 specific indexes including the birth rate and the average life expectancy) reached 24 percent, showing a marked improvement in various profiles of China's population quality.

The growth rate of the Central Committee index (comprising 17 specific indexes including the GNP and the social labor productivity) was 20 percent, showing a high economic growth rate for the year.

The growth rate of the index of health and medical care (comprising 11 specific indexes including health expenses and the rate of acute infectious diseases) was 15 percent, reflecting a considerably big progress in China's health and medical work in that year.

The growth rate of the index of social insurance (comprising 13 specific indexes including labor protection and welfare expenses for workers and retired personnel on a per capita basis) was 14 percent, showing an increase, rather than a decrease, in China's social insurance level while developing the economy.

The growth rate of public security index (comprising 14 specific indexes including the number of cases concerning public security investigated and handled on a "per 10 thousand people" basis) was 11 percent, reflecting progress in China's public security situation.

In 1991, of the 10 major spheres, population, culture and sports, and public security were not developing satisfactorily. Through our efforts in the following year, development in the spheres of population and public security was promoted, but the development in the sphere of culture and sports was still lagging.

Development in Spheres of Science, Technology, Education and Environment Was Unsatisfactory, Negative Growth Appeared in the Sphere of Labor

In 1991 the development in the spheres of environment, science and technology and education, economy, and residents' life was in the lead. One year later, development in the spheres of environment and science and technology and education slowed down, but the spheres of economy and residents' life continued to develop steadily. The growth rate of the index of environment was 3 percent and that of the index of science, technology, and education was only 1 percent, much lower than the high growth rate of the economic index of the same year, which was 20 percent. As environment, science and technology, and education have an important bearing on the momentum for the long-term economic and social development of a country, the lagging in these spheres should arouse our serious attention.

Another striking contrast to the high economic growth was the index of the sphere of labor. It comprises 12 specific indexes including the unemployment rate in

cities and towns. In 1992, the growth rate of this index was -5 percent. This shows that some unexpected factors had appeared in the sphere of social labor in China's towns and country, such as social employment and safety in labor. At a time when the economic structure was being changed, the industrial structure was being readjusted, and the economy was developing at a high speed, the appearance of such phenomena is understandable. But it should not be neglected either.

In the 10 Major Spheres, Beijing and Shanghai Were in the Lead, and Gansu and Liaoning Were Unexpected Winners

Classified according to different categories and regions, Beijing was first in the spheres of environment, residents' life, labor, social insurance, and culture and sports. Shanghai was the first in the spheres of economy, health and medical care, and science, technology, and education. This is nothing unexpected. The two municipalities achieved high scores in many spheres in 1991 and were able to maintain the high scores in 1992. But Gansu and Liaoning were unexpected. The former was the first in the sphere of public security while the latter the first in the sphere of population.

If we make a comparison with 1991 figures, we find many significant changes. Some localities rose in certain spheres and dropped in others. For example, in the sphere of environment, Jiangsu rose from sixth to second place, Tianjin rose from 16th to third, Guangdong rose from 10th to fourth, and Zhejiang rose from eighth to fifth. But Shandong dropped from the second place to below 10th, Shanghai dropped from third to eighth, Liaoning from fifth to ninth, and Jilin from fourth to sixth. This shows that the positions of various localities in the 10 major spheres are changing and all can achieve greater progress through their efforts. It is very difficult for the localities whose general indexes are in the lead to take the lead in all the 10 major spheres. It is also difficult for a locality to maintain the leading position in a certain sphere year by year, because many other localities are trying to catch up. After the result of the

comprehensive appraisal of social development was promulgated, many provinces, municipalities, and autonomous regions found their own weak links and increased input in these links. They are doubling their efforts to strive for greater progress. We can find such traces from the 1992 appraisal report.

What merits our attention is that in some localities where the economy has been growing continuously at a high rate, the index of development in the sphere of public security is lagging. This has something to do with the large floating population in these areas and the insufficient input in this field. The experience of other countries proves that population flow is a big motive force for economic development. But while providing labor for those localities and promoting economic development there, the floating population has also brought security problems with them. However, after the economy is well developed, these localities will be able to increase input in this field and social security will be maintained. This is common knowledge.

Wu Jun, director of the Social Department of the State Statistical Bureau, said: In the overall plan, the statistical indexes used in the recent calculation, except for some minor readjustments, are the same as those used in 1991, so that people can easily make comparisons and find out changes. This work will be continued, because a statistical plan can show its value only through a period of practice. Moreover, time is the only criterion for examining the plan, to see whether it is realistic, effective, and correct.

The director continued: The general level of social development in a locality is a result of the long-term interaction of various factors, including historical, natural, geographical, and realistic factors. It cannot be entirely changed in a short period of time. Therefore, if the comprehensive appraisal is used to obtain information for comparison—a self-comparison and comparison with others, it is certainly useful. But if it is used to compare with one another in position, it will lose its meaning, because there are many incomparable factors in various localities. The more than 130 indexes for appraisal and the general plan are not entirely perfect. They will be improved in the future. But they must also be relatively stable. If they are changed willfully at any time, they will lose their scientific value.

Table 1: General Indexes of Social Development in Various Localities in 1992

| Precedence | Localities | General Index |
|------------|--------------|---------------|
| | Nation | 121 |
| 1 | Beijing | 189 |
| 2 | Shanghai | 179 |
| 3 | Tianjin | 170 |
| 4 | Liaoning | 156 |
| 5 | Jilin | 148 |
| 6 | Guangdong | 142 |
| 7 | Jiangsu | 140 |
| 8 | Heilongjiang | 136 |
| 9 | Zhejiang | 134 |

Table 1: General Indexes of Social Development in Various Localities in 1992 (Continued)

| Province | Localities | General Index |
|----------|----------------|---------------|
| 10 | Shandong | 133 |
| 11 | Pejiao | 129 |
| 12 | Hainan | 125 |
| 13 | Hubei | 122 |
| 13 | Shaanxi | 122 |
| 15 | Inner Mongolia | 121 |
| 16 | Xinjiang | 120 |
| 17 | Hubei | 115 |
| 18 | Hunan | 113 |
| 19 | Shaanxi | 110 |
| 20 | Jiangxi | 109 |
| 20 | Ningxia | 109 |
| 22 | Anhui | 106 |
| 23 | Hunan | 103 |
| 23 | Gansu | 103 |
| 25 | Guangxi | 99 |
| 26 | Sichuan | 98 |
| 26 | Qinghai | 96 |
| 28 | Yunnan | 83 |
| 29 | Guizhou | 71 |

Table 2: Localities Whose General Index Growth Rates Are Higher Than the Average Level of the Nation

| Province | Localities | General Index Growth Rate (percent) |
|----------|----------------|-------------------------------------|
| | Nation | 10 |
| 1 | Anhui | 30 |
| 2 | Guizhou | 23 |
| 2 | Qinghai | 23 |
| 4 | Inner Mongolia | 15 |
| 5 | Gansu | 14 |
| 5 | Ningxia | 14 |
| 7 | Hubei | 12 |
| 8 | Xinjiang | 11 |
| 8 | Jiangxi | 11 |
| 8 | Hunan | 11 |
| 8 | Zhejiang | 11 |
| 8 | Shaanxi | 11 |
| 13 | Sichuan | 10 |
| 13 | Jilin | 10 |

Table 3: National Average Indexes in Various Spheres and Rates of Development in 1992

| | General Index | Environment | Population | Economy | Resident Life | Labour | Social Insurance | Health | S&T, Education | Culture & Sports | Public Security |
|----------------|---------------|-------------|------------|---------|---------------|--------|------------------|--------|----------------|------------------|-----------------|
| Index | 121 | 12 | 13 | 17 | 13 | 12 | 11 | 11 | 13 | 10 | 11 |
| Rate (percent) | 10 | 3 | 24 | 20 | 10 | -5 | 14 | 15 | 1 | 6 | 11 |

Table 4: Localities in the First 10 Positions in 1992 and Their Indexes

| Precedence | Environment | | Population | | Economy | | Resident's Life | | Labour | |
|------------|--------------|-------|----------------|-------|-----------|-------|-----------------|-------|--------------|-------|
| | Locality | Index | Locality | Index | Locality | Index | Locality | Index | Locality | Index |
| 1 | Beijing | 15.62 | Liaoning | 20.01 | Shanghai | 27.55 | Beijing | 21.23 | Beijing | 21.62 |
| 2 | Jiangsu | 14.79 | Beijing | 19.39 | Guangdong | 27.51 | Zhejiang | 20.21 | Shanghai | 20.56 |
| 3 | Tianjin | 13.91 | Hailongjiang | 18.83 | Beijing | 25.73 | Shanghai | 19.09 | Tianjin | 18.95 |
| 4 | Guangdong | 13.76 | Tianjin | 18.12 | Tianjin | 24.10 | Tianjin | 17.80 | Liaoning | 15.01 |
| 5 | Zhejiang | 13.52 | Jilin | 17.76 | Liaoning | 21.64 | Jiangsu | 17.27 | Shanxi | 14.51 |
| 6 | Jilin | 13.31 | Shanghai | 17.68 | Zhejiang | 20.84 | Guangdong | 15.58 | Jilin | 14.26 |
| 7 | Hailongjiang | 13.28 | Shandong | 14.82 | Fujian | 20.83 | Liaoning | 15.47 | Hailongjiang | 14.15 |
| 8 | Shanghai | 12.90 | Zhejiang | 14.77 | Jiangsu | 19.75 | Xinjiang | 14.34 | Guangdong | 13.68 |
| 9 | Liaoning | 12.82 | Inner Mongolia | 14.53 | Hainan | 19.71 | Shandong | 14.21 | Shanxi | 12.64 |
| 10 | Hebei | 12.82 | Jiangsu | 14.25 | Xinjiang | 16.18 | Fujian | 13.97 | Xinjiang | 12.50 |

| Precedence | Social Insurance | | Health | | S&T, Education | | Culture, Sports | | Public Security | |
|------------|------------------|-------|----------------|-------|----------------|-------|-----------------|-------|-----------------|-------|
| | Locality | Index | Locality | Index | Locality | Index | Locality | Index | Locality | Index |
| 1 | Beijing | 17.37 | Shanghai | 21.04 | Shanghai | 21.28 | Beijing | 17.30 | Guangsu | 15.90 |
| 2 | Jilin | 16.79 | Beijing | 19.41 | Beijing | 21.19 | Guangdong | 13.69 | Shanxi | 14.73 |
| 3 | Liaoning | 16.17 | Hainan | 17.72 | Tianjin | 19.77 | Shanghai | 13.68 | Shandong | 14.63 |
| 4 | Tianjin | 15.79 | Jilin | 16.24 | Jilin | 17.54 | Hainan | 13.64 | Inner Mongolia | 14.52 |
| 5 | Shanghai | 15.04 | Xinjiang | 16.14 | Liaoning | 17.33 | Liaoning | 13.54 | Hebei | 14.52 |
| 6 | Jiangsu | 14.87 | Inner Mongolia | 16.04 | Jiangsu | 15.83 | Tianjin | 13.47 | Qinghai | 13.89 |
| 7 | Shandong | 13.62 | Hailongjiang | 15.89 | Shanxi | 15.83 | Jilin | 12.44 | Jilin | 13.88 |
| 8 | Hailongjiang | 12.61 | Tianjin | 15.47 | Fujian | 15.29 | Ningxia | 12.05 | Henan | 13.84 |
| 9 | Jiangxi | 12.27 | Qinghai | 15.33 | Shandong | 15.04 | Hunan | 12.04 | Jiangxi | 13.44 |
| 10 | Hebei | 12.02 | Guangdong | 14.59 | Zhejiang | 14.36 | Shandong | 11.61 | Anhui | 13.32 |

'Unprecedented' Level of Unpaid Teacher Salaries
94CM0059A Beijing LIAOWANG [OUTLOOK] in Chinese
No 42, 18 Oct 93 pp 8-11

[Article by Zhou Daping (0719 1129 1627): "Teacher's Salaries in Default: A Problem Which Must Be Firmly Resolved"]

[Excerpts] State Education Commission Chairman Zhu Kaixuan admitted frankly during this year's Teacher's Festival that the current level of default in teacher's salaries in "amount, duration, and extent, is unprecedented in the more than 40 years of history since the establishment of New China."

In December last year, after a Beijing newspaper revealed that several thousand teachers in Yilong County in Sichuan had not been paid for seven months and were forced to subsist on credit, the news poured in of many other places where rural teachers were suffering due to varying degrees of defaulted wages. The descriptions of their desperate situations proved without doubt that this late news story was not just a fable of one winter.

The problem of defaulted teachers' salaries did not just begin recently. During all of the 1980's, many locally hired teachers dependent on wages paid by local villagers in large, still poverty-stricken areas at times experienced the anxiety of not receiving compensation. Because this occurred in impoverished areas where all the people lived

in difficulty and because the extent of the problem was limited, it did not attract appropriate attention. As of approximately last year, defaults on salaries for government-hired teachers occurred in some counties. The salaries of government-hired teachers are allocated in the government budget. The salaries were allocated, so why were they not received by the teachers? Unfortunately, the relevant agencies did not pay attention to this strange phenomenon and thus, this type of default was not curtailed in the early stages but allowed to spread to all the provinces and autonomous regions. Due to technical reasons (only counting recorded salaries without all the supplements) and a lack of understanding (fear of affecting one's career), the amounts of salaries in default reported by each locality were clearly far lower than the actual amounts in default. Even so, the figures collected by the State Education Commission indicate that as of the end of May of this year, the total amount of rural teachers' salaries in default had already reached the magnitude of 1.43 billion yuan.

This large-scale default in teachers' salaries has become a social problem which cannot be ignored.

In addition to Beijing, Ningxia and Tibet, the areas affected by this default include all the provinces and autonomous regions. In Sichuan, Guangxi, Henan, Hebei, Hubei, and Liaoning, teachers' salaries are in default in over half of the counties and, in some cases, over 70 percent of the counties. In duration, the defaults are as short as a few months and as long as three years. Under the repeated exhortations by the central government to settle these debts, many areas first pay up and then default again or pay and default at the same time. For example, before Spring Festival this year Liaoning Province settled debts and reduced the total of defaulted salaries from 79.81 million yuan to 50.88 million yuan but by the middle of May, the amount had risen again to 78.51 million yuan. Only a few provinces such as Guangdong, Zhejiang, and Qinghai are in default for only several hundred thousand yuan. Over ten provinces and autonomous regions, including Liaoning, Hebei, Inner Mongolia, Shaanxi, Jiangsu, Jiangxi, Hunan, and Guangxi, are in default for 60 to 80 million yuan and those with the greatest debt are Henan, Hubei, Sichuan and Heilongjiang, which all owe over 100 million in arrears.

There is a wide variety of forms of default in teachers' salaries, including total default, partial default and other forms. Long-term total default is common in most areas with default. At a teachers' forum held in Dunhua city, Jilin Province, in November last year, the entire audience sobbed as a middle-aged husband and wife, both elementary school teachers, described how they had not been paid for four months and, with no food to cook, their children suffered from hunger. There is no lack of examples in some areas of default on supplements mandated by the central government or by local governments. The long-term default of nine counties in Hainan of teachers' locality supplements, inflation supplements, and homeroom teacher incentive pay currently totals

over three million yuan. Some areas even took it upon themselves to eliminate wages for teachers during winter and summer vacations, saying "They don't teach during vacations, so what wages are there to pay? If they want wages they should go find some themselves." Some villages and townships dictated strict income generation targets for schools and those schools which did not meet the targets received no wages at all. All of the teachers of a central elementary school in a certain township in Gansu told news reporters in the early summer of this year that the township wanted to build a factory but was denied a loan from the bank due to the lack of a feasibility study. The local government then collected 1,000 yuan from each teacher and issued a regulation that those who did not contribute funds would not receive any more wages so that the teachers suffered in silence.

One can say that during the 1980s, some teachers did not receive prompt compensation for their labor but this occurred mainly in impoverished areas. Thus, in the 1990s, the extent of default in teachers' salaries is not necessarily linked to the level of economic development. In Henan, which is relatively less well off financially, 16 out of 17 prefectures and municipalities are in default for a total of 150 million yuan. Six places, including Xinyang, Zhumadian, Zhoukou, Nanyang, Pingdingshan, and Kaifeng, owe over 10 million yuan. In even more financially strapped Guizhou Province, however, even though their total revenue to date has only met half of the plan, the entire province only owes 4 million yuan in partial defaults on teachers' salaries. In economically developed Guangdong and Zhejiang Provinces, only a few prefectures owe 500,000 or 700,000 in teacher supplements. But in Liaoning, which takes in over 15 billion yuan in annual revenue, the default has impacted nearly 80,000 teachers in 465 villages and townships located in over 55 percent of the counties. In Sichuan Province, the "land of plenty," the situation is severe, with over 70 percent of the counties in complete default to teachers for over 100 million yuan. Some education specialists believe that those provinces and autonomous regions in default reflect a serious neglect of duty on the part of all levels of government in those places.

Seventy percent of the 8.5 million elementary and secondary school teachers in China are in the villages. One investigation indicated that among the salaried classes in society, rural school teachers have the weakest economic endurance. Currently, the general living standard of this group is at best right at the poverty line, with quite a few people very impoverished. For example, 52.5 percent of rural school teachers in Rongcheng and two other counties in Hebei live below the average local living standard. With salaries which are already so meager that after supporting a low-standard of consumption there is seldom any left for savings, as soon as they lose that minimal material guarantee, it is even more difficult for them to maintain normal life. When the teachers in Baimiao Village of Bazhong County, Sichuan, were not able to draw their salaries, they were forced to go from

place to place to find meals on credit, to the extent that one after the other of the village's canteens and restaurants were eaten into bankruptcy. Therefore, as an ever increasing number of the several million rural teachers with defaulted salaries became indebted and impoverished households, the foundation of rural education was severely shaken.

The default in salaries has been emotionally damaging to the teachers. The daily life hardships created by the defaulted salaries has caused teachers to lose emotional stability. Many types of social facts entered their field of vision and served to make them even more uneasy. Some provinces and autonomous regions invest in real estate, buy imported sedans, and construct world class hotels, spending hundreds of thousands of yuan at every turn, but they still cannot resolve the problem of default in rural teachers' salaries. According to the "China Youth" newspaper, the amount of funds approved during the first half of this year for the purchase of cars by government administrative units at the county level or above nationwide reached 14.5 billion yuan. In Sichuan, it was possible to give a villa worth a million yuan to a movie actor while more than 100 million yuan was still owed in defaulted teachers' salaries. Liaoning Province spent as much as 1.3 billion yuan to purchase automobiles last year but paid off teachers' salaries only to go into default again. Several townships and counties which have defaulted on teachers' salaries were quite extravagant in the purchase of cars. The teachers have quite normally asked for explanations of this. Exactly what happened to the money allocated by the government for teachers' salaries? Will the government pursue the individuals who diverted those funds? Who will handle this?

The default in salaries has exacerbated attrition among the ranks of teachers. Any place which has defaulted on teachers' salaries has teachers who are forced to give up teaching to stay alive. Among those are many who deeply love the teaching profession and are reluctant to leave it but ultimately change professions just to be able to eat. According to statistics of relevant agencies, those prefectures with teacher attrition rates above the national average last year were concentrated in provinces and autonomous regions with severe defaults in teachers' salaries. Fengbei village of Xiong county in Hebei lost 42 out of 153 teachers. One hundred-eighteen teachers retired early in Lezhi County in Sichuan. In Cangwu and two other counties in Guangxi, over 150 teachers "jumped into the sea" [left their jobs]. Four hundred teachers in Huaihua prefecture in Hunan changed professions, twice as many as the previous year. The number of class-one teachers and senior teachers among rural teachers between 26 and 45 years old in Hebei was reduced by 4,878 (16.7 percent). When a district education office in Tianjin municipality conducted a questionnaire survey of 1,000 elementary and secondary school teachers this year, 70 percent of the teachers indicated "if there were an opportunity to choose a profession over again, I would not be a teacher." Defaulting on teachers' salaries has scared away teachers already working and

has scared away future teachers. In Sichuan's Yilong county, with its severe default on teachers' salaries, teaching college students view the teaching profession with trepidation. Out of 151 graduates sent to the villages last year only seven reported for duty. Even in the Beijing area, which has not defaulted on teachers' salaries, only one student listed a teaching university as first choice on the college preference section of the college entrance exam.

The default in teachers' salaries has increased the resurgence in the school drop out rate. In 1988, after 850 teachers in Ningde prefecture in Fujian Province gave up teaching, 148 schools were closed for a time. Since last year, this type of situation has not been uncommon in provinces and autonomous regions with severe defaults in teachers' salaries. Frequently, teachers who have not given up teaching adopt the desperate approach of taking leave in turns to work elsewhere and scrape together some money. Many teachers, exhausted from working desperately to stay alive, have no time to prepare their lessons and no time to grade papers after class. Quite a few schools have had to turn class time into study hall or simply end school early due to a lack of teachers to hold classes. There are many instances of classes put on hold because teachers were unable to return to school after school started. Particularly in remote areas where each school has only one teacher, a teacher's departure means the loss of a school. In this situation, an increase in the dropout rate is unavoidable. Hebei Province predicts that the number of junior high school dropouts this year will increase by 55,000 and the drop out rate will increase by three percentage points to 8.72 percent. The large-scale attrition from junior high schools will not only seriously prevent the implementation of nine years' compulsory education in rural areas but will also increase the shrinkage of ordinary high schools and vocational high schools in rural areas. As one education specialist said, defaulting on teachers' salaries is no different from killing a chicken to get the eggs. In setting their sights on the economic arena, some local government officials have demonstrated zeal for quick success and instant benefit, not only proving their own ignorance but even depriving their descendents of the right to those benefits. In a place with a low quality of education, modernization is an empty phrase. In many places, however, defaulting on teachers' salaries is ruining education, creating new illiterates and holding back the next generation. [passage omitted]

Why did this strange phenomenon of default on teachers' salaries occur? Why would this strange phenomenon spread so quickly? All levels of education offices and education labor unions are searching for answers. Based on the aspects understood thus far, primarily the following factors created this situation.

Ever since the establishment of the new country, the policy followed on the payment of rural teachers' salaries has been unified payment by county finance departments. Impoverished counties which could not pay government-hired teachers out of their own finances (nearly

1,000 in the entire country) received assistance from the prefectural or provincial finance departments. This guaranteed that salaries for government-hired teachers reached the teachers.

Around 1991, finance system reform allocating finance responsibility to all levels of government in the entire country (with responsibility down to the village and township level) combined with education management responsibility divided among different levels of government brought change. On the one hand, county level governments delegated too many of the rights and responsibility for education to the village and township level. Villages became responsible for managing and supervising elementary schools. Townships managed and supervised junior high schools. Some government-managed junior high schools were even placed under the supervision and management of townships. On the other hand, as finance systems were established at the township level, the province, prefecture and county level finance offices gradually relinquished the planning and regulation of educational funding in their areas. As the townships implemented the finance responsibility system on their own, many could not handle the township educational expenditure. Some used educational funding to supplement gaps in township finances or diverted the funds to other uses. Some counties even tied township education funds to the submission of township revenue contributions. If the township did not submit the complete required revenue contribution, the education funds were to be held and not disbursed and used to compensate for the required revenue contribution. The counties thus guaranteed that each township would make its required revenue quota and the townships were pleased to have compensation funds which saved them part of their revenue obligation. What about salaries for teachers? One approach is default, bringing misfortune for the teachers; another approach is to apportion out the obligation in the name of education, thus increasing the burden of the peasants. In both cases, the people lose out.

After Comrade Deng Xiaoping made a speaking tour of the South in 1992, the economic pace in the entire country clearly increased. All levels of government jumped to increase economic investment. Some places were not realistic in their approach, blindly setting up businesses, and taking over educational funds when funds were very tight. When educational funds were taken to do other things, educational funds of course could no longer be disbursed monthly. The supplement base set for impoverished areas (unchanged for many years) became lower than the ever increasing demand. Three prefectures in the eastern foothills of the Taihang mountains, Lingshou, Fuping, and Tangxian, for a period this year owed an accumulated debt of over 10 million yuan in teachers' salaries. This was because government allocated educational funds were not disbursed on time for quite a long period.

Funds for supplements to locally hired teachers are partly from supplemental educational funds. Since 1986, it has been a special funding item with revenue collected locally by townships. But because on the one hand, collection was slack and on the other hand it was not well managed, these funds have often not been collected, or if collected, were diverted to other uses. After the State Council asked that the people's burdens be decreased, some provinces and autonomous regions even deemed this an excessive burden on the peasants and issued decrees temporarily ceasing this collection. For example, in Baoding prefecture in Hebei, the 20 counties there should collect 73.8 million yuan but as of now have only collected 20 percent. Without these funds, where will the supplement for locally hired teachers come from?

The faulty work, bureaucratism, and even violation of laws and discipline of some local governments are also factors which have contributed to creating or exacerbating the default and cannot be ignored. In terms of faulty work, some counties with good revenues decreased educational funds to start economic projects, creating a major policy deviation. Revenues for 1992 in Jing County in Hebei were 11 percent greater than those from the previous year but educational expenditures decreased by 18.5 percent. This was in violation of the central government's regulation on educational funds that "both will increase." Some counties have left the position of vice county head in charge of culture and education vacant for a long time, thus losing an opportunity to resolve the default problem. Some county leaders lack a sense of urgency and responsibility towards clearing the debts, making outstanding defaults worsen daily. In terms of violating laws and discipline, some counties have taken revenge on those who have honestly reported on the default situation. Some townships have diverted educational funds and educational supplements allocated by the government to setting up factories. Some townships have taken advantage of the time lag after educational funds have been disbursed from higher levels to loan out the money and reap large profits. The government of one county in Sichuan even issued a 'red-topped document' stipulating that each teacher must donate 300 yuan to revive the local tobacco factory. The method used was to "chop" it all at once directly out of a teacher salary disbursement from the finance department. Based on information from teachers in many places, at the same time that local governments were defaulting on teachers' salaries, they were constructing many buildings of all types, buying many fancy cars, and spending money with abandon on travel in China and abroad. If part of that money had been used on education, the problem of defaults on teachers' salaries would never have developed to this point. [passage omitted]

'Bad Blood' Between Public, State Security

94CM00948 Hong Kong KAI FANG [OPEN MAGAZINE]
in Chinese No 83/84, 16 Nov 93 pp 20-24

[Article by Lao Niu (5071 3662): "The Internal Contradictions Between Public Security and State Security"—first paragraph is editor's note]

[Excerpts] *The author Lao Niu is a former Beijing high-level political insider. This article delves into and exposes the two main dictatorial systems of the Chinese Communist Party: It looks at the mutual contradictions, use of power, and evolution of the Ministry of Public Security (MPS) and the Ministry of State Security (MSS) in the period of opening up. It points out that the state security apparatus already constitutes the power behind Li Peng's clique, and is responsible for controlling and countering political dissidents.*

[passage omitted] The Border Control Department is called the Sixth Department within the CCP Ministry of Public Security, with its two trademarks being the External Border Crossing Usage Management Department and the Foreigner Management Department. In the more than 40 years since the CCP came to power, it has often had the formulations of "public security elders." This points to its real position in the political and legal system as a public security organ, procurate, law court, and judicial department. From a legal point of view, the MPS should only be subordinate to one arm of the State Council, and despite the fact that its name comes after the Ministry of Foreign Affairs, it still receives the supervision of the highest law court, and the highest procurate. In reality, the law courts and procurate in fact do not control the MPS. For example, Zeng Qinhua [2582 6024 0656], of the highest procurate's Court of Law and Discipline, told this reporter that within the public security system there is widespread extortion of confessions through torture and cruelty, and some cases are passed through other channels to the procurate, but the Court of Law and Discipline, though it sends people to the public security organs for investigations, they are without exception turned away, and at every turn are told threateningly: Aren't you going to allow us to work? After the National People's Congress passed an administrative procedural law, a large amount of cases of "people versus government officials" came before law courts, and the CPC immediately allowed the highest people's law court to issue a top secret document, which went so far as to require that various local law courts, in cases of hearing complaints from the masses against the public security police, and cases where public security police refused to accept punishment, as far as possible should maintain the original sentence of the public security officials, and preserve their "law enforcement" image.

To not bring a lawsuit, is to have already lost a lawsuit, and this explains why the "public security elders" do not have a weakness that lends wings to rumors. It has been like this for many years.

However, this situation began to change in the early 1980s. The Ministry of Public Security altogether has

more than 20 departments, but there are only five or six that are directly on the front line of enforcing the law. Before the establishment of the MPS, the so-called "anti-revolutionary cases," including espionage and special cases, were the responsibility of the First Department, and this was a very mysterious organization. After the establishment of the MPS, a very large number of core cadres transferred from the First Department, and the CCP's Department of Investigation in Beijing's Western Gardens area attracted some of the People's Liberation Army's Second Department of the General Staff Headquarters to form this type of special organ for uncovering spies, providing special services and handling cases of "subversion of the state." In this way, the MPS First Department became a political public security body, the Second Department became an economic and cultural public security body, the Third Department became a public security department, and the Fourth Department became a frontier defense unit, the Fifth Department became a punishment and investigation department, while the Sixth Department became a border administration body. Among these, the bodies with the most work load besides the Third, Fifth and Thirteenth (Preliminary Investigation) Departments, are some sensitive and the most mysterious departments separated from the MPS, but at the same time public security has lost a considerable portion of its special privileges. While in later name listings the Ministry of State Security (MSS) was listed after the MPS, in reality in terms of its funds, power and scope of activity, both were in position to override public security.

The MSS was established in 1983, at a time when Hu Yaobang was headed the government. Hu, in order to make political and legal work gradually adapt to the circumstances of reform and opening, chose former Shanghai Deputy Mayor Ruan Chongwu [7086 1504 2976] to serve as Minister of Public Security, and Jin Chuanwang [6328 2504 2489] from the Central Committee system to serve as Minister of Security. Ruan had once studied abroad in the then Soviet Union, and served in the CCP's Embassy in West Germany as a science and technology counselor. This experience enabled him to tackle solution of the reform of public security work, increase the level of transparency, and within a certain period to hold news conferences. In early 1987, Hu Yaobang had left the scene, and soon after Ruan was transferred from the MPS to serve as the Deputy Director of the State Science and Technology Committee. It was clear that he had not reduced the level of secrecy. But during the period Ruan served, the work style at the MPS had become more enlightened, and outstanding achievements were noted, and there was a marked improvement in the appearance and attitude of individuals, which had a lasting and profound effect on people. In particular, for a certain period he met with foreign journalists, and answered questions with wit and consideration, in an internationally accepted show of good form. Since this time, many officials of the MPS, in particular young ones, still cherish the thought of Ruan Chongwu.

However, comparatively speaking, when it comes to the MPS, the CCP views the Ministry of State Security as its own confidential security organ. For this reason, after Ruan Chengwu was transferred as the result of Hu Yaobang's departure from power, Jin Chuanwang, has been retained to run the Ministry of State Security. Still, because the MSS is favored and has formed a arrogant attitude, in terms of the allocation of power, especially in the case of overlapping of MSS responsibilities with certain tasks of the MPS First Department, the contradictions between the two ministries are steadily growing. Here are just two examples to illustrate this situation:

1. The MPS at present is located on the north side of Beijing's Chang'an Avenue, and on the gate of the MPS there hangs not only an MPS sign, but at the same time, there is also an MSS sign. In fact, the MPS offices are primarily located at the Western Gardens supreme headquarters of the former Central Investigative Department. However, since relations between the two ministries have become strained, they do not mutually settle accounts. For example, normally government personnel and professional contacts outside the MPS, provided they go through the simple formalities of registering, are able to directly enter the MPS main compound, and even some journalists also hold credentials and can come and go as they please. But for MSS personnel, even if they display credentials, those at the gate often make up various reasons for them to be refused entrance.

2. Contradictions between the public security organs and state security organs are even more acute at the grassroots level. Shenzhen City's Shatoupo zone contains the investigative strongholds of a number of intelligence organs, including the Second Department General Staff, the MPS, and the MSS. However, the contradictions between the MPS and MSS are the most deep-rooted. One Shenzhen City MPS friend told the author about how they handle MSS organ personnel. Between Hong Kong and Shenzhen there is a forbidden zone, and by and large personnel from the MPS, and People's Armed Police (PAP) are responsible for inspecting and controlling this zone. Normally, MPS personnel, and PAP cadre, General Staff Intelligence personnel are able once in a while to enter the forbidden zone to carry out tasks, but when it is discovered that there are MSS organ personnel entering the forbidden zone, often indiscriminately MPS personnel will first "arrest and bring them to justice," interrogate them and then suddenly release them. Allegedly, this is done on instructions from senior officials. From this it is evident that bad blood has been accumulating between the MSS and MPS. (passage omitted)

Regulations for Militia, Reserves in Enterprises

94CM01004 Beijing ZHONGGUO MINBING [CHINESE MILITIA] in Chinese No 10, 9 Oct 93 pp 3-4

[Article: "General Staff Department, General Political Department, State Economic System Reform Committee, State Economic Relations and Trade Committee,

Ministry of Finance, Ministry of Personnel, and Ministry of Labor Regulations on Work of Militia and Reserves in Enterprises (Issued 14 August 1993)"]

[Text] Article 1. This regulation is drawn up in accordance with applicable provisions of "Militia Work Regulations," and "Regulations for the Transformation of Operating Mechanisms in Industrial Enterprises Under Ownership of the Whole People" in order to meet needs in building a socialist market economy system.

Article 2. Militia in enterprises are an integral part of China's national defense reserve forces. In wartime, they are an important force in urban defensive warfare, and a major source of military officers and professional and technical troops to augment and expand the PLA. They are a mainstay for the maintenance and protection of production and for support of the war effort. In peacetime, they are a mainstay for the development of production, for the performance of war preparedness duties, for safeguarding the social order, and for fulfilling emergency, difficult, dangerous, and onerous tasks.

Article 3. Enterprises must fulfill militia, reserves, and military service work tasks according to national laws and regulations. Their main tasks are as follows:

- 1) to establish and consolidate militia and reserve unit organizations, to recognize annually, and to conduct activities in a timely fashion;
- 2) to conduct political and ideological work among the militia and reserves;
- 3) to complete militia and reserve forces military training tasks;
- 4) to control and maintain militia and reserve forces weapons and equipment according to regulations;
- 5) to organize militia for the performance of war preparedness duties, to maintain normal order in their own unit, and to work with public security units to maintain social order;
- 6) to complete the call up of new troops, and to carry out policies for giving special care to disabled servicemen, and to the families of revolutionary martyrs and servicemen;
- 7) to perform preparatory tasks pertaining to reserve officers and men, the mobilization of material, and the registration of vehicles and vessels for wartime mobilization;
- 8) to establish people's armed police according to regulations, and to equip and administer full-time people's armed police cadres and militia cadres;
- 9) to rally militia and reserve personnel to take the lead in participating in the building of socialist material civilization and spiritual civilization, to take the lead in the development of production, and in the fulfillment of emergency, difficulty, dangerous, and onerous tasks;

10) to organize the militia and reserves in wartime to join the armed forces and go to war, to maintain production, to protect the masses, to support the front lines, and to complete troop mobilization and materiel, vehicle, and vessel mobilization.

Article 4. Enterprise people's armed police are an integral part of the national defense system. They are the leading organization for the work of the enterprise militia and reserves.

Enterprises required to set up people's armed police work organizations shall assign full-time people's armed police cadres, applying the principle of maintaining an elite and highly effective force. For every approximately 1,900 staff members and workers, one full-time people's armed police cadre should be assigned. For units having 1,000 but fewer than 5,000 personnel, one commander and one or two clerical personnel should be assigned. For large units having 5,000 personnel or more, consideration should be given to the assignment of a deputy commander and several clerical personnel. Other units that have set up a militia organization but that have no full-time people's armed police assigned shall set up a unit and designate a person responsible for militia and reserves work. The specific organizations to be established shall be decided by the provincial military region (the garrison regions and guard regions) on the basis of the above regulations through discussions with provincial, autonomous region, and directly administered municipality CPC committees and governments.

Changes in enterprise people's armed police work organizations must be approved by the province, autonomous region, or directly administered municipality CPC committee, and the people's government and provincial military region (garrison and guard regions).

Enterprise full-time people's armed police training, selection for promotion, reassignment, appointment and dismissal shall be in accordance with provisions of "Militia Work Regulations."

Full-time enterprise people's armed police cadre wage, welfare, and official business expenses shall be the same as that of administrative personnel at the same level in the enterprises, and be handled according to regulations.

The professional and technical duties of full-time people's armed police cadres in enterprises shall be set by the enterprise itself.

Article 5. Enterprise militias and reserves shall work under the leadership of local CPC committee, government and local military leadership and command organizations, the principle practiced of central and local authorities working in combination, the local authorities carrying the main burden, and the central authorities providing support. The railroad and shipping industries may operate in accordance with the leadership principle whereby the central authorities take primary responsibility, and also accept leadership from local military leadership and command organs.

Article 6. Enterprises must uphold the principle of the Party controlling the gun, making militia and reserves work an integral part of the enterprise's work, including it in administrative plans, instituting joint Party and government control, putting in place a division of labor with individual responsibilities, and appointing a single leader in charge.

Enterprise authorities in charge shall show concern for and support militia and reserves work.

Article 7. When an enterprise expands or contracts its scale of production, and optimizes or tightens up its internal production structure, it shall promptly readjust and improve the militia organization, and file a report with the county (city, or district) people's armed police headquarters for purposes of the record. When the organization of a militia anti-aircraft battalion (or regiment) is to be changed, approval shall be requested from the provincial military region (or garrison district). When changes are to be made to reserve units at the squad level and above, approval is to be requested according to regulations.

Article 8. Enterprises shall make the political training of militia and reserves personnel a part of their staff member and worker political education plans, the substance and scheduling done according to applicable regulations.

Enterprise people's armed police shall keep abreast of the political and ideological condition of militia and reserves personnel at all times. They shall conduct political inspections of militia and reserves personnel in conjunction with militia reorganizations to maintain the purity and reliability of militia organizations and reserve units.

Article 9. Enterprises shall make the personnel and time needed for military training of militia and reserve units a part of the labor management plans and working hour use plans of enterprise production control units to ensure that military training is given.

Article 10. Enterprises having militia weapons and equipment shall make control and maintenance of militia weapons and equipment a part of the enterprise maintenance and safety control plan, providing in accordance with regulations the warehouses, safety facilities, and guard personnel needed to take care of the weapons and equipment.

Article 11. Enterprise people's armed police work expenses shall be made a part of enterprise financial control plans and posted as an enterprise administrative expense for use primarily in the following ways: to pay a food allowance and travel expenses back and forth during periods when the militia and reserves engage in training; to pay expenses for the activities of militia and reserves personnel that the enterprise people's armed police headquarters organize; to pay warehouse management and maintenance expenses for militia weapons and equipment; to pay expenses incurred in the registration

of reserve officers and men, and the registration of materials, vehicles, and vessels for mobilization; and to pay expenses for calling up new troops.

When enterprise militia and reserves take part in military training, they are to receive the same wages and bonuses, and the same welfare benefits that their parent unit receives. Food allowance and expenses for traveling back and forth shall be submitted for reimbursement by the parent unit according to regulations. Teaching materials, equipment for the military training of militia and reserves shall be centrally purchased, made or printed and distributed by the military itself without charge to the enterprise itself.

Article 12. Enterprises shall conduct militia and reserves work with the needs of production and operation in mind. They shall organize and stimulate militia and reserves personnel to take the lead in fulfilling production tasks, in conducting labor competition, technological innovation,

and product increase production and practice economy campaign, thereby making a contribution to improvement of the enterprise's economic returns.

Article 13. Units and individuals who make a major contribution to the work of enterprise militia and reserves shall be given a bonus in accordance with the provisions of Article 42 of "Militia Work Regulations," the cost to be charged to bonuses.

Units and individuals who create losses for the work of the militia and the reserves in violation of these regulations shall be punished in accordance with the provisions of Article 44 of "Militia Work Regulations."

Article 14. The General Staff Department shall be responsible for interpreting this regulation.

Article 15. This regulation shall become effective as of the date of publication.

Governor's 'New Tactics'; Chinese Response

94CM0087A Hong Kong MING PAO YUE-KAN [MING PAO MONTHLY] in Chinese No 335, Nov 93 pp 28-33

[Article by Hong Qingtian (3163 3237 3944): "China, Britain, Hong Kong At Crossroads of History"]

[Excerpts] Patten Poses Seven Challenges to China in Second Annual Report—Patten's New Tactics and Challenges to China

[passage omitted]

1. Abandoning his "from politics to politics" stance, which is that politics is self-justifying and self-sufficient, Patten has now woven politics into the lives of the people of Hong Kong, making it part and parcel of the local way of life and inseparable from the war on corruption, the rule of law, freedom, education, and the quality of governance—all "perennial concerns" in Chinese society. [passage omitted]

The way Christopher Patten talked last year, you would have thought he were in Britain. Now Patten takes life in Hong Kong as his point of departure, arguing that democratic politics of a high quality are what the people of Hong Kong need to maintain the "Hong Kong system." How can the Chinese authorities be persuasive if they reject his argument? What alternative can the Chinese offer? If the Chinese come up with their own agenda, what must it contain that would invalidate the British position? How to sever the linkage between "politics" and the "Hong Kong way of life?" When Hong Kong fought for democracy in the 1980's, Xu Jiatun [6079 1367 1470] tried countering Hong Kong's capitalist primary democracy with advanced socialist democracy. Subsequently China rejected Hong Kong's political demands by questioning their timetable. After Patten came to Hong Kong, the Chinese could no longer keep acting anti-democratic. All they could do was to declare that they too were for democracy but that the dispute between China and Britain is not one over the extent of democracy but one involving trust between two nations. Now that Patten has made politics an integral part of the life of the Hong Kong people and their institutions, can the Chinese continue to counter it with the argument that it is all a matter of trust between nations?

2. In contrast to his past arrogance and wilfulness, Patten now says, "I have grown to like Hong Kong more and more. I have deep feelings for this place." He hopes that "as it advances with big strides into the 21st century, Hong Kong will be like a beacon, shining brightly as if to announce its glorious achievements. It will also set an excellent example demonstrating that in a system of freedom, people can successfully overcome all sorts of adversity and difficulties and, hand in hand, create a wonderful future." (Section 190)

After the governor presented his first annual report to the Legislative Council last year, the Chinese authorities initially took a heavy-handed approach. It was so severe

and threatening that it gave the impression China was prepared for mutual destruction, with Britain, Hong Kong, and itself all going down the tube. In doing so, the Chinese only succeeded in turning public opinion strongly against them. Even as public approval of Patten slipped and opposition rose, anti-Chinese feelings in Hong Kong also gained ground. Politically speaking, the Chinese paid dearly for opposing Patten. At the time the Chinese could convincingly attack Patten for his overbearing ways, arrogant, domineering, stubborn, and intractable. Now Patten has changed his attitudes. He may still be impenetrably thick-headed, but he has mellowed considerably and become more practical. What should be China's attitude now? If the Chinese try to be as mellow and practical as Patten, that may be interpreted as a compromise. Yet if they persist in their shrill ways, they may lose points.

3. Patten's second annual report to the Legislative Council is replete with praises for the people of Hong Kong, for their accomplishments, and for the superiority of the Hong Kong system, calling it a miracle of human society. The report also contains endless comparisons with Britain, Australia, and the Netherlands, countries which the local people are familiar with. Of course this is the stock in trade of politicians in every democratic country, but it also shows that the relationship between the ruler and the ruled under a democratic system is just what the people of Hong Kong need psychologically at this point in time.

Having inherited the tradition of the Qing Dynasty and the Republic of China, the Chinese Communists have always considered Hong Kong alien land. It is hard for the Chinese to sing the praises of the Hong Kong system, Hong Kong people, and Hong Kong society. During the anti-Patten campaign last year, the Chinese opposed everything that was associated with Patten. What Patten said about Hong Kong's values and its superiority were all satirized by the Chinese media, so much so that one could hardly tell right from wrong anymore. The "anti-Patten" campaign came perilously close to being an "anti-Hong Kong" movement. The objective of the Chinese was to launch an all-out attack on Patten, stopping at nothing. In so doing, however, they in effect repudiated many of the values of the system of Hong Kong. If China continues its negative attitude toward Hong Kong, what sort of price will it have to pay? If, on the other hand, it echoes Patten and begins heaping praises on Hong Kong and emulating the Hong Kong system, can the Chinese Government bring itself to do that? Would praising Hong Kong send a wrong message to the local people, misleading them into thinking that China would compromise with Patten and go along with him? Would that encourage "Hong Kong chauvinism?"

4. Patten has modified his political reform proposals in two major ways. First, he has replaced functional groups with statutory bodies even as he insists that voting be based on the individual and reduces the overall number of voters from the 2.70 million called for last year to 1

million. The second concession is that the electoral committee would be composed of four groups following the organizational model of the second legislative council after 1997 as spelled out in the Basic Law. Under Patten's original proposal, the committee was to be made up of popularly elected district representatives (in its entirety or to a large extent). Nevertheless, Patten sticks by his original plan to have the 400 members of the electoral committee be chosen through election. Moreover, this concession comes with strings attached; the proposal that elected representatives be allowed to serve out their terms beyond 1997 (the "through train" concept) is part and parcel of his overall plan.

Britain and China reopened negotiations in April mainly because public opinion forced them back to the conference table. Both sides knew full well the price of defying public wishes. They may not reach an agreement if they negotiate, but they are bound to lose if they don't even talk. Hong Kong people hope that something will come out of their talks. A dozen or so public opinion surveys by the Hong Kong Statistical and Business Research Council invariably came up with one finding: The people of Hong Kong want both sides to make concessions and reach an accord. Now that Patten has made the first move by taking the initiative to give way, naturally the public wants the Chinese side to make corresponding concessions in order to narrow the difference between the two sides. How should the Chinese Government respond? If they continue to insist that Patten is guilty of the "three violations" and refuse to make adjustments and concessions, they would have a lot of ideological work to do on the Hong Kong people, besides giving Patten a reason to withdraw from the talks. However, if they give way, they would be handing a victory to Patten. Patten's initial demand was an electorate of 2.7 million people. It has now been scaled back to 1 million, still significantly more than the 200,000-300,000 people who would have been eligible to cast votes for the original 21 functional seats. How extensive a concession should the Chinese make? What about the "through train" proposal? As the seven letters between the foreign ministers indicate, both sides agreed that the same electoral arrangements should remain in place from 1995 through 1999, allowing legislators elected in 1995 to serve out their terms through 1999. Then came the 4 June tragedy of 1989 and the big victories scored by democratic groups in direct Legislative Council elections in 1991. The Chinese wavered on the "through train" idea and the British came up with their own set of arrangements for the 1995 elections. Since the controversy was triggered off by China's plan to scrap the "through train" proposal, would it make concessions on this very issue?

5. Patten's second annual report to the Legislative Council was an honest self-examination of his past commitments regarding the people's livelihood and the work that had been done. He talked about things he had accomplished and things he had not, laying it all out in an honest, earnest, and realistic way. One year after arriving in Hong Kong, Patten has certainly commanded

much authority with his solid political ideas. More than that, his skills, language, and operating method as a politician as well as the closeness between him and the public have also set a standard that the leader of the post-1997 special administrative region [SAR] must meet. During the subsequent question period, Legislative Council members lined up to point out the errors in his report. Their exchange, complete with questions, answers, charges, and explanations, was democracy in action, live.

Public statements by Chinese officials to this date still contain a lot of empty bureaucratic gobbledegook, devoid of a spirit of seeking truth from facts. They always lecture the masses on the omnipotence, all-knowingness, invincibility, infallibility, and greatness of government, instead of talking about self-restraint, self-discipline, and self-control. The real issues are never aired in the open. Patten demonstrates the modern Western political approach while the Chinese remain wedded to propagating the superiority of "big, complete, and all-powerful government" going back thousands of years. How should the Chinese respond to Patten's new methods indicative of a modern open society? Should they throw a tantrum and pick a fight with Patten over this? Or should they take a leaf from Patten's book and try to communicate with the masses using similar methods? Would the SAR chief after 1997 measure up to Patten's standard? After the June 4 incident, Deng Xiaoping raised a lot of expectations when he said that he would "get several practical things done." Yet no documents have ever been issued regarding the "practical issue." Have they really materialized? Patten makes endless allusions to what is good about the Hong Kong system and what is bad about the Chinese system, one obvious example being the way the two governments level with the people. Even more striking is the open dialogue and debate that took place in an atmosphere of freedom between Patten and the people of Hong Kong on an equal plane after the governor presented his second annual report (in which the Chinese authorities also played an active part).

6. For the first time, Patten devoted an entire chapter to Sino-British relations. He spent a lot of time emphasizing the close ties between China and Hong Kong and the numerous connections between the two, including cooperation in administrative matters and environmental protection. In the future, bridges of the concrete and steel variety will be built to link the two together. Even more important will be bridges of the invisible type. Sino-Hong Kong relations mean China learning from Hong Kong's value system and success story and Hong Kong drawing support from China's strengths. Patten said, "When many places in the world identify with Hong Kong's value system and seek to duplicate its success story, would the world become a better place, a more prosperous place? Or will it become less prosperous? We all know the answers to these questions." (Section 182) Patten took the initiative to define the relations between China and Hong Kong, giving substance to their contacts as well as clarifying the nature of

such relations. Hong Kong represents progress and as such should be imitated; China represents power and should therefore be a source of support for Hong Kong to tap into. Together they can take bold strides into the next century.

China has always looked at Hong Kong unilaterally from top to bottom, demanding that it fall in line with China and not the other way round. The kind of Sino-Hong Kong relations China wants is one in which Hong Kong complies with all China's orders and satisfies every Chinese demand. Whatever the merits of the case, no matter who represents progress and who represents backwardness, the Chinese want Hong Kong to simply blend itself into the entity known as China. As for making the Hong Kong system "living, automatic, and autonomous," the relations between China and the special entity of Hong Kong, how the two should be integrated and to what extent, as well as the costs and benefits of such integration... none of that has been considered at length. Nor do the Chinese allow such consideration; mention differences between the two systems and they cry "abetting," "sowing discord," "setting one party against another." A major incompatibility in Sino-Hong Kong relations is that the sovereign body, namely China, is large but backward, whereas Hong Kong, which has no sovereignty, is small but advanced. A unilateral emphasis on China's sovereignty would result in integration of a regressive type, meaning that an advanced Hong Kong would have to reach down to accommodate a backward China. A one-sided emphasis on Hong Kong's non-sovereign status is both impossible and disastrous. How to define Sino-Hong Kong relations down to the details is a major challenge facing Hong Kong in the future. The success or failure of this relationship will impact the relations between the mainland and Taiwan and those between the central government on the mainland and the localities (a perennial problem in Chinese politics going back thousands of years).

7. In his annual report to the Legislative Council, Patten noted subtly and not so subtly that where Hong Kong was free to make up its mind, things had gone well in the past year, but where consultation with China was necessary, nothing seemed to have worked well. In Section 172, he said. "...outstanding achievements have been scored on all fronts during the past year...with one lone

exception," which was Hong Kong's effort to "further its understanding with China" and "replace unproductive speculation with sincere trust." (Section 173) Why? "Not because of a lack of effort, a lack of determination to improve bilateral relations on Hong Kong's part." (Section 174) "The reason is that we still have not been able to convince Chinese officials that Hong Kong citizens' expectations about the development of their political system are in no way excessive but are reasonable and should be met, that they form part of the natural evolution of a society as it matures and becomes more sophisticated. In a certain sense, political development is also a prerequisite for Hong Kong's remaining a leading player in international trade. These expectations do not constitute a threat to China now and will not do so in the future. The fact of the matter is that these expectations can be met within the framework of "one nation, two systems." (Section 175) Instead of saying the Chinese refused to go along or disagreed, Patten said euphemistically that they (meaning himself and his associates) had failed to convince Chinese officials. In fact his meaning is very clear. We all know what the problem is: The failure by the Chinese authorities to see what Patten and others have been able to see. Cases in point: Pier No. 9, the airport, the harbor, the Sino-British liaison group. Patten covered all these problems at great length and, in so doing, seemed to have put the ball back in China's court.

Last year the Chinese tried to shoot down Patten's political reform plan in an overbearing way by resorting to economic pressure, ready and willing to destroy all three parties. What the Chinese wanted to prove was that Patten would not be able to accomplish a thing without China's cooperation, that he would end up with not just one broken leg, but two broken legs. Basically the Chinese have achieved this goal. On the other hand, the Chinese were also taking a risk. The people of Hong Kong might blame the Chinese Government for the delay in solving all those problems that need to be tackled urgently. What are the Chinese going to do about these feelings? How to point the accusing finger back at the British? How to undo the damage the delay has caused Hong Kong and China (particularly Guangdong)? Who should be held politically accountable? In the second half of the year, will the Chinese continue to relax their economic austerity drive or will they tighten the belt again? [passage omitted]

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